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JOHN C. SPARKS

For the young in heart, mind, and spirit

ENTHUSIASM, vitality, zeal characterize the youth of every generation. Theirs always is a new vision of problems and opportunities. It comes naturally for them to be righters of wrongs, or at least to try. But the eternal fires of youth seem lately to have fanned into an exceptional and alarming generation gap.

Perhaps the young of recent years have been more reactive to the evil and the imperfect. Television instantly and vividly communicates sights and sounds unknown to earlier generations. Another factor could be the unusual run of prosperity for so many American families since 1940. Without sound instruction, it would be easy for the children to gain the impression that financial success comes without effort or struggle, that there exists a never-ending source of economic goods, and that only a new "law of distribution" is needed to assure abundance for all.

To expect these young to be less sensitive than they are to problems would be to expect the most exuberant part of the human race to lack the normal human emotions. Their boundless energy and intelligence seek the direction that will move mankind upward and onward. But bluster and noise are not suitable replacements for hard effort and moral judgment. Depending upon the direction taken, mankind will either step forward or slip backward on the evolutionary incline.

The young welcome a challenge. But in the current confusion, many

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real challenges are going unrecognized, challenges that should test the courage and ingenuity of the very best. These challenges offer great excitement, stiff obstacles, few immediate rewards, many disappointments – and unlimited potential for progress.

While still a young man, Alexander the Great is said to have expressed keen disappointment that there were for him no new worlds left to conquer. From our vantage point of the twentieth century, we may smile at this great one of the past who could not perceive the little distance he had covered from the starting toward the finish line. Yet, how is anyone, especially the youth of today, to be free of such blindness?

It may seem inappropriate for a representative of today's older generation to offer suggestions of worthy challenges. The credentials need to be checked. How have we performed as adults? We did many things quite well. In many crucial respects, however, our generation has failed. We virtually abandoned our qualities of self-reliance, self-responsibility, mutual respect, and love of fellow man. We sought to shift our own responsibilities and refused to see ourselves as the cause of the poor results. As parents, we tried to hold others responsible for the welfare of our families, the education of our children. Did we expect our neighbors to do this for us? No, of course not, for they, too, were busy shifting their burdens to others. Just "others," faceless nonentities such as the state board of education, county welfare, unemployment service, social security, entrenched wealth, big business. Surely, our generation has slipped from the path that leads toward human progress. But our experiences should afford a great lesson for those with the intelligence and courage to investigate the causes and consequences.

Untold numbers of "new worlds," waiting eons of time to be conquered, lie before the current crop of youth – and most of these worlds will remain untouched many centuries after these young ones have gone. Yet these fantastic secrets are ready to be released, new worlds just waiting to serve mankind whenever some real challengers come forth to conquer them.

The Opening Challenge

Why not start with the puzzling problem of equality? Logic denies that all men are created equal. Quite the contrary: not only unequal, but not one like any other. Each is born with his own distinctive characteristics. His race and color, his genes and chromosomes, his fingerprints, his physical appearance, his relatives, his occupancy

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of a particular place and point in time, his economic and cultural environment all proclaim his uniqueness! There are no duplicates – no two persons alike, no two situations the same. Yet, we frequently find that "equality" is held undebatable as a desirable objective for all people. Many discussions of thought-provoking issues are short-circuited by a misconception of equality.

Just what kind of equality is desirable? Only the naive would claim that each person must be equal in every detail with every other person. The answer that almost everyone knows in our modern civilization, of course, is *equality before the law.* But what does that mean? Does it mean that each person should be lawfully compensated if his earnings fail to bring him up to a certain economic level? Or should he be compensated according to circumstances: the poverty of his parents, the place where he was born, his intelligence quotient, parental overindulgence or protection – an endless list of negative factors? But suppose that somehow it can be ascertained who is unequal and the precise amount required to catch up the difference. How long should support be provided? Is there a responsibility on the part of the recipient to try to overcome his inequality? Who is obligated to provide the necessary support? And what about equality for him?

As for the recipient, will he be helped or harmed by having a continual crutch? It is possible that he simply doesn't care to earn all he can, that he is satisfied with less than others deem necessary. Though capable in all respects, his preference and interests could be a simpler life, if not in Tahiti, then maybe in Cleveland, St. Louis, or a small rural community. On the other hand, his potential skills and capacities may never develop if the force that drives many toward achievement is partially bridged by government intervention.

This is no mere academic exercise. This is the real world. Bear in mind that numerous Federal and state laws are based on attempts to equalize various segments of the population – rich and poor, old and young, large families and small families, the responsible and the irresponsible, one occupation group and another, the successful and the unsuccessful, and so on.

Is it a logical objective to equate equality before the law with equality of the level of income, wealth, or economic capabilities? Or might equality be better approached as a negative concept? Somewhere the idea of the *absence of coercion* might fit into this puzzle. Acknowledging that each person is different, it may be that we should seek

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a way to peacefully and successfully utilize such differences, not letting anyone stand coercively in the way of another.

The Next Challenge

If one should tentatively accept the previous challenge, his inclination might be to employ various tools of the democratic process – especially that of voting. But the misleading concepts surrounding equality are closely akin to those surrounding majority rule and the "magic" of voting. If one has blindly accepted the idea of majority rule, he should take a more careful look.

Here is a question to help place this point in perspective: Under what conditions and to what extent might you be willing to be restricted, your actions determined by the decisions of others than yourself? Are you willing to accept the decisions of others in the selection of your husband or your wife, naming your child, determining the food you should eat, the clothes you wear, the friends you may have, the beneficiaries of your kindnesses, the persons with whom you may trade or contract, the provisions of the contract? Many of today's youth have loudly and persistently demonstrated that they will not allow the customs of their elders to dictate styles of hair or dress. How significant are such matters in the full scale of values which affect their lives?

This is not to say that harmful results of numerous invasions of privacy have gone unrecognized. Protests have been launched against these galling coercive intrusions – some loud and violent, some quiet and peaceful, others simply in thoughtful contemplation of the prevailing situation.

There probably are as many persons coerced into acting, not as they want, but as others want, through majority rule as through totalitarian dictatorship. The challenge here is to find out the limitations of majority rule, lest it become the pervading principle for solving all problems. One approach is to examine the alternative to majority rule. Is it minority rule? Possibly; but what about individual rule as the alternative? Thomas Jefferson had something to say about this. "That government which governs least, governs best" was Jefferson's idea of allowing each person the exciting opportunity to govern himself. This creative thought deserves better than to be forgotten.

The magic of the voting process seems to have perverted our judgment in political matters. We seem to believe that the total number of votes cast is more important than the outcome of the balloting – that it is better to rely upon the opin-

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ions of citizens who hardly care enough to vote than to have a matter decided by those concerned. We become so obsessed with voting politically that we tend to deprive ourselves of choice in the market place.

The man who would govern himself and extend to every other person the same opportunity – a challenge worthy of the most intelligent, courageous, and moral individual – must study carefully this matter of voting. Are there logical limitations for voting? Should another person vote on a matter that pertains not to him, but only to me? Should another's vote determine the use of my property when no property of his own is affected by the vote? Should the privilege of voting be earned by meeting certain requirements – not age, not color, not race – but such as proof of responsibility for the support of oneself and his own family?

To seriously review the shortcomings of the older generation surely must challenge the youth of America to think of equality in terms that will not prevent any individual from being his own man. To meet this challenge calls for better understanding of the structure of government – and such mechanisms as voting and majority rule – so that government may not be turned against the need and desire of the individual to be self-responsible.

The Final Area of Challenge

It has been observed by philosophers and historians that the need for strong safeguards against the loss of freedom is recognized more readily by those who have just won freedom than by those who have inherited it; the latter tend to take freedom for granted and allow the safeguards to be removed.

The framework of government should have built into it safeguard mechanisms that require much time and effort to remove. The delay will allow the more alert citizens to review and emphasize to others the reasons why such safeguard mechanisms were instituted in the first place. Certain mechanisms of this kind were well conceived and placed into the Constitution of the United States, to prevent the government itself from interfering with personal freedom while providing necessary defense and establishing justice. These mechanisms set one branch of government as a check upon another. To protect against sudden majority responses to popular causes of the moment, they required greater than simple majority votes to amend the Constitution and to override vetoes; they provided for electing certain officeholders to

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longer terms than others, and for appointing certain officials to life terms. These mechanisms were alarms. For a century and longer these Constitutional safeguards of 1789 worked very well. In recent decades, however, we seem determined to prove that those who inherit freedom eventually take it for granted and allow its safeguards to be removed.

One lesson of history calls for special attention by the young: oppression does not always come in severe doses. The oppressors do not always wear black hats and ride black horses to distinguish themselves from the good guys. Instead, they sometimes appear to be more sincere and more concerned than others who quietly go about minding their own business. So it is that oppression is likely to come with gradual erosions of personal freedom. Not many notice, for the alarm is no louder than a whisper. A callus lets us live with a pinching shoe, and in much the same way we grow accustomed to a government that has slipped into authoritarian ways; private decision-making gradually disappears.

Obviously, the original safeguards built into the Constitution have not sufficed. New and better safeguards and alarms are needed. Here is the most exciting challenge of them all – calling out to the young in heart, mind, and spirit.

Independence has been a way of life for the American. In his private and public life he picks and chooses, he accepts and rejects. If he dislikes the association he has with his employer, or with his church, or with his fraternal group, he can resign. If one spouse mistreats the other, the remedy may be to dissolve the union. If a youngster has been subjected to heavy-handed treatment by his parents, when he becomes an adult he has the choice to quit the family. The fact that such choices exist has a leavening effect on those in the positions of control. This applies to practically all human action. Whether or not one continues to patronize his lawyer, doctor, dentist, the boy who mows the lawn, the dry cleaner, or the butcher will depend upon the mutual satisfaction of the two parties involved. When either becomes dissatisfied, he simply quits.

No Way to Quit

Not so, however, when the dissatisfied party is the citizen of several layers of government. When I become unhappy with one of these layers, such as government postal service, it is futile for me to resign from that service arrangement. There is no *reasonable* replacement available for me to

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use; and even if there were I would still be obliged to subsidize the old one through taxes. When government officials decide that every young man from 18 through 26 shall be eligible for military service and subjected to undeclared war in foreign lands, no *reasonable* alternative seems to exist for him. Though history tells of persecuted people who fled their country rather than continue to bear the improper authority of government, such remedy can hardly be considered *reasonable*. It is not reasonable that to object successfully against the tyranny of the late Hitler or the current red regime of East Germany, one must uproot himself and his family and, leaving behind his possessions, try to sneak unobserved across the boundary with the lives of himself and his family at stake.

The way to avoid becoming trapped in such evil circumstances, of course, is to understand so completely and to articulate so clearly the virtues of liberty and the painfulness of oppression, that one will convince enough of his fellow citizens to oppose such attempts to grab authoritarian power. This approach is no little task. And, as a practical matter, it may constitute no remedy at all. Doubtless it is easier to "fire" one's dry cleaner who charges too much or otherwise fails to give satisfactory service, than to "fire" the layer of government under which one is oppressed. So what is the answer? Where lies the solution to this challenge?

Look to the Market

It seems possible, at least theoretically, that one could contract privately for all services now rendered by governments except for that specialized service of national defense against either foreign or domestic aggressors. If government were thus limited to providing for the defense of the United States of America and all other services were to be private, presumably one other national responsibility would then exist — the guarantee to each citizen that no other government service would be constitutional, whether at the national, state, county, or municipal level. To fulfill such guarantee, the Federal government would be authorized and given the power to protect the people from any attempt whatsover by any person or group to use coercive or government-like methods to require their participation or action.

What might be the advantages of such an arrangement? For one thing, a Federal government, limited to national defense and to carrying out the above guarantee, would have little prospect of growth through promises of some-

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thing for nothing or any program of tax-spend-and-elect. Since no other *en*forced services would be permitted within the nation, private organizations would flourish strictly according to the will of satisfied customers. Unwarranted attempts by any such organization to raise fees arbitrarily (the way governments raise taxes) or to cut the quality of its services could result in loss of clientele.

Other beneficial effects to be anticipated from this removal of coercive powers from would-be masters of men would be the maximizing of individual effort and reward, a resurgence of genuine charity in ministering to the needs of others, a more stable economy not subject to arbitrary manipulation by government, and countless other blessings. Isn't this a worthy challenge!

Even to outline so nebulous a theory must trigger many questions:

"But, how would the court system function?

"What about police, fines, and imprisonment?

"How would one gain recognition of ownership of property?

"How would a contract be enforced?

"Who would own the roads and highways?

"Who would be responsible for a system of money?"

These questions express the puzzle – just how low the level of governmental coercion should be to allow the maximum freedom of the market place, and yet not result in anarchy and violence. I have suggested the barest minimum of government coercion. It may be too little. And yet the real danger, as evidenced through history, has been that man chooses too much government and too little freedom. He is more apt to undershoot the peak of freedom than to overshoot it.

This, young men and women, is part of the great, exciting challenge. Let anyone who wishes to supply an answer be free to try! Keep in mind that failure will hurt only those few who subscribe to a wrong answer, and then perhaps only momentarily, while success will profit many far and wide.

It is tempting to continue with a long list of challenges for young people encompassing the areas of physical science, metaphysical science, medicine, industry, astronomy and space, among others. But these are subjects that would be neither overrated nor underrated in a true society of free men. The great challenge is to maximize the freedom of every individual. Succeed there, and success must follow in every conceivable area of human activity.

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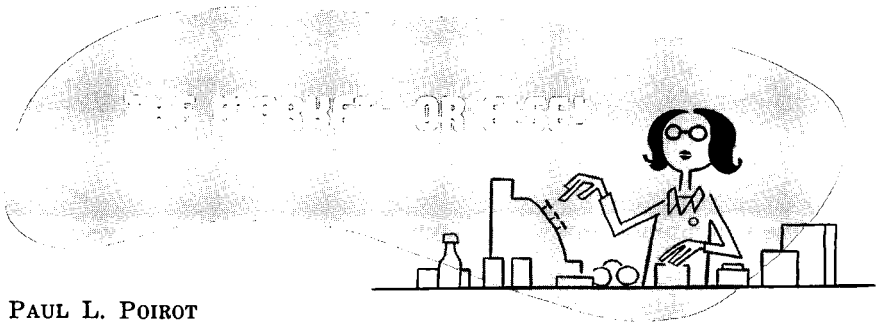

PAUL L. POIROT

HARSH though the fact may seem to some, the scarce and valuable resources of the world are generally staked out and claimed. Somebody owns them, no matter how much others might want them. If this were not the case, the first order of business would be to make it so. For there is no way in the world to assure the efficient use and reasonable conservation of scarce resources until they are brought under private ownership and control. What belongs to everyone belongs to no one, and waste is not felt to be a personal loss.

This is not to say that private ownership, in and of itself, is a sufficient condition for harmonious human relationships. The owner, having once staked a claim, may not thereafter sit on his property with a dog-in-the-manger attitude toward others. His right is by their consent, so to speak. Unless one's neighbors generally approve the use he makes of his property, they will not rush to help him defend it. Indeed, they may be the first to trespass or otherwise challenge his title. This is not to condone unneighborly conduct or the tendency to trespass, but to stress the owner's responsibility to put his property to productive use which others may understand and approve.

So, it behooves an owner to practice what might be termed an open-door policy as distinguished from a closed shop. In other words, unless he is prepared to defend his claim behind a Great Wall with armed guards, he will rely upon a "For Sale" sign, daily proving anew in the market his right to his property. The open market recognizes no special privileges on the part of any owner. Each market participant or trader bids against all others, and the property goes

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to the highest bidder. And everyone who would trade has a vested interest in keeping the market open, in policing the market against thieves and robbers and any coercive intervention with the person or the property of any peaceful trader.

The point bears repeating: the allocation or ownership of property is most wisely determined in the open market; the proper functioning of the market requires policing and the protection of private property; but this does not mean *protectionism* or special privilege for any owner by way of government intervention. The latter amounts to a closing of the market against peaceful traders — a reversion to barbarism and war.

Not that any given owner is so all-wise that he alone knows best how to use and conserve scarce resources. But he does have a sense of values and his own order of priorities to which any customer in the market may appeal with a bid or an offer to buy. It is possible, of course, that none of these offers would appeal to the owner at a given time, in which case he would retain possession until offered something better or until his own needs and priorities had shifted enough to make him willing to trade. Bear in mind that no one can earn a living simply by hoarding; eventually he must sell or otherwise convert some of his hoard into something to eat. So, he is quite as dependent on others as they may be dependent on him. And it is this interdependence, reflected in market pricing and trading, that ultimately attends to the most efficient use and conservation of scarce and valuable resources — that transfers ownership into the most capable hands.

Modern markets are a far cry from the simple barter of earlier times. Sophisticated traders usually make their deals in terms of money. So let us examine the role of money as a medium of exchange and see how monetary policies affect the market and the course of trade.

Monetary Manipulations

Anyone with the slightest knowledge of monetary history knows very well how the ancient goldsmiths used to issue more warehouse receipts for gold than there was gold in the warehouse. Our modern systems of fractional reserve banking employ the same principle.

We know about this. Yet, many of us never quite grasp the significance of what we seem to know. These slips of fiat money flowing from the banking system are claim checks we presumably bring to market to exchange for the goods and services available there. But

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if we stop to think about it, we soon see that there is no real market demand for these claim checks as such. The only reason why anyone wants any of them is that they might help him get the goods or services he wants. What every trader in the market wants are goods or services more valuable to him than those he offers in exchange. He hopes to find the market place full of goods and services, rather than lots of monetary claim checks to be redeemed.

The salesman may not realize it, but the smile on his face when a millionaire enters the store is not for the million claim checks the customer might have in his pocket. The smile goes back to the pile of goods and services that had to be released in the market before that customer could acquire a million claim checks. Otherwise, those checks are the work of a counterfeiter, a "customer" welcomed by no bona fide supplier of goods and services.

In one sense, the welfare client who enters the market with a bundle of food stamps is like a counterfeiter: neither is bringing any useful goods or services into the market; each plans to draw against the available supplies; and some supplier is bound to come out on the short end of such one-way "trade." The same holds true whenever any customer enters the market with a pocketful of money which has not been earned by supplying goods and services.

Barred from the Market

Perhaps the tax collector — the mailed fist within the velvet glove of the welfare state — most clearly symbolizes the claimant of something for nothing. True, he has legally been hired to perform a job. But his task is to withdraw goods and services from suppliers — from the market — without the arduous necessity of offering other marketable items in trade.

The tax collector, in other words, controls entrance to the market, exacting tolls of varying magnitude from certain customers as they enter or leave with their objects of trade. Nor is that all. Some of those very same customers, and certain others with no visible means of support or trade, are in a sense deputized to collect taxes in their own behalf — a welfare payment, subsidy, exemption, or "free pass" of some sort.

These are not simple beggars waiting for crumbs outside the gates of the market. However peaceful may seem to be their exactions from would-be traders, these tax collectors and deputies are armed with the full force of the law, prepared for whatever violence is necessary to enforce their one-way transactions. Their

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picket signs also serve as clubs. These activities outside the gates are marked by violence, always threatened and often invoked.

The taxpayer who seeks any return on the goods and services taxed from him must seek outside the market – look to political channels to get back "his share" – perhaps in outer space, or in Vietnam, or in Appalachia, or in the urban ghettos, or in the mailbox, or on the highway, or in the crowded schoolroom, or hospital, or jail. In other words, the taxpayer tends to be driven from the market, to the extent that he is taxed for other than the minimal requirements for policing the market. And outside the market, the game or the struggle is strictly violent; to the victor belong the spoils.

"Public Sector" Wars

The names may be somewhat misleading, but the peaceful transactions or voluntary exchanges within the market are sometimes referred to as occurring in "the private sector"; and the so-called "public sector" encompasses those coercive activities outside the market – wars of one kind or another: against foreign aggressors, against communists, against capitalists, against poverty, against ignorance, against prejudice, against bias, against every conceivable obstacle that stands between any man and the something he wants without earning it.

Their names are legion who profess good will toward man in their schemes to channel ever more resources and individuals into the "public sector." But whether or not they know it, they are the warmongers in our society. They are condemning everyone involved, including their intended beneficiaries, to violent methods and to the results of violence.

If one tires of the class struggle and conflict and violence characteristic of men trying to function in the public sector, if he realistically seeks peace, then he must search for it in the private sector. A condition for admission to the market is that one enter and operate through peaceful means only. And only through peaceful means can peace be achieved. The happy dividend is more goods and services available to all men than under any other arrangement.

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GEORGE HAGEDORN

THE RECENT economic reports of the President, and of his Council of Economic Advisers, have been the occasion of much discussion and controversy. This week we want to call attention to a section of the council's report which has attracted relatively little notice, but which contains some profound economic wisdom. This is a rather brief section headed "Transportation," which appears as one part of a chapter entitled "Economic Growth and the Efficient Use of Resources."

The council's discussion of the economics of the transportation industry is in a low key. Conclusions are suggested rather than asserted and no firm recommendations for changes in government policy are offered.

Yet, the message of the council's comments is clear. It is this: Government regulation of transportation has resulted in injury, rather than benefit, both to the industries which provide transportation services and to the public which depends on them. All would be better off if more reliance were placed on competition and less on regulation. Government intervention in this critical sector of our economy has resulted in an inefficient use of resources.

The history of the Interstate Commerce Commission, first established in 1887, has been one of increasing extension of its powers, and increasing futility in their exercise. The end result has been that the country has an uneconomic transportation system – uneconomic in the sense that more manpower and capital are devoted to that purpose than need be and

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they are used less efficiently than they might be.

The commission was originally established at a time when railroads had a near monopoly of freight transportation. Its object was to protect shippers against this monopoly power. But early in this century, the commission was given the additional power to enforce *minimum* freight rates – in other words, to suppress any rate competition that might break out among the roads. When a competitive form of freight transportation – trucking – did emerge it was placed under the regulatory power of the commission.

The Bureaucratic Procedure Cannot Stand Competition

We do not believe that there is necessarily anything sinister or corrupt in that history. It is in the nature of government economic intervention to develop in that way. When a public body is established to oversee an industry it cannot rely on something so nebulous and unpredictable as competition. It will inevitably view competition – whose effects are never foreseeable in detail – as an obstacle to the attainment of the explicit objectives the public body was intended to serve.

Competition has a way of breaking out, no matter how much you try to suppress it. But suppression of competition usually results in turning it into uneconomic channels. The pattern of development in an industry is distorted in ways that are disadvantageous both to the industry and to the public.

An illustration of this is the effect of the suppression of *rate* competition in the transportation industry. The rivalry among carriers took the form of attempts to offer better and more frequent service. The council's economic report points out that: "This is one reason why the transportation industry as a whole has more capacity than the total traffic requires. . . ."

This overcapacity is a burden on the carriers and a misallocation of our national economic resources. From the point of view of the shippers, it might seem that better and more frequent service is a good thing. But wouldn't it be still better to let the market decide whether the shippers might prefer lower rates to this additional service?

Regulation of air transportation by the Civil Aeronautics Board seems to have had similar effects. During the period of rapid growth in air traffic during the 1960's the airlines were prohibited from competing with each other by cutting rates. They thereupon competed by offering increased service and this resulted in uneconomic in-

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vestment in facilities and equipment – a problem plaguing them severely at present.

Direct and Indirect Effects

What is at stake in the question of regulation vs. competition is not merely an abstract principle. An unpublished government study estimates that, as a result of deregulation, a reduction of at least 10 per cent could be expected in cost to shippers of freight transportation by common carriers.

The distortion introduced by regulation into the pattern of transportation costs can also have undesirable social effects. The economic report of the council argues that it has been a contributing factor in the joint problems of rural depopulation and urban congestion. As a result of regulation, transportation costs on finished goods tend to be higher than rates on shipments of raw materials. This causes fabricators to locate close to their urban markets rather than close to their sources of materials, or somewhere in between.

One of the worst effects of regulation, and one which makes escape from it very difficult, is that in its course vested interests are established. These might be damaged as a result of deregulation.

We use the term "vested interests" in no deprecatory sense. A trucker who holds an ICC certificate has a thing of value. He has acquired it in good faith because he has to have it to conduct his business. In the normal course of business transactions he may have bought and paid for it just like any other asset. Opening trucking to unlimited competition might greatly reduce the value of that asset – depriving the certificate holder of part of his property.

We do not know of any solution to these inequities. They could be mitigated, but not eliminated, by phasing deregulation over a long period. The lesson is that, in the course of government regulation, a tangled web is woven – from which it is impossible to escape without some pain and injustice.

We surmise that the Administration, after laying this intellectual groundwork, may offer legislative proposals for a move toward deregulation in the transportation industry.

But perhaps the larger import of the discussion is that government regulation of any phase of economic life, no matter how well intended, may create more problems than it solves. The intended beneficiaries often are hurt as much as those who are regulated. Advocates of Federal legislation for the protection of consumers might take notice.

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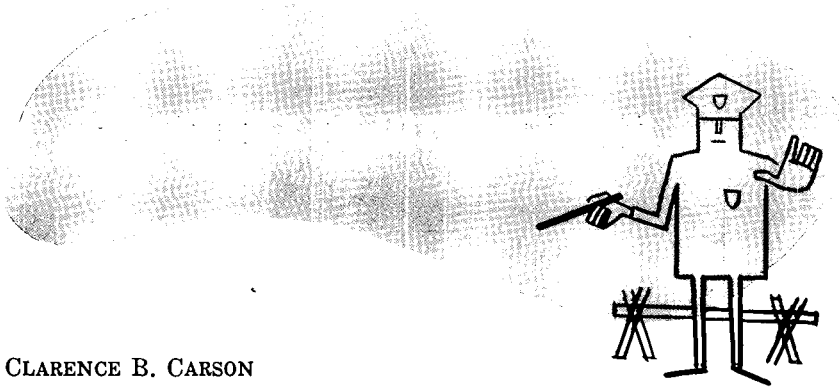

CLARENCE B. CARSON

GOVERNMENT INTERVENTION in railroading has had a devastating impact over the years. A vital industry has been transformed by it into a declining industry. Many services once performed are no longer performed or poorly provided. Competition has greatly declined, costs have risen, profits have usually been low, and labor trouble is endemic. What has gone before (*Throttling the Railroads*, concluded in the February, 1971 FREEMAN) shows clearly the relationship of government intervention to all sorts of untoward developments in railroading.

If government intervention had elsewhere been attended with great success and had failed signally only in its effects on the railroads, we might be warranted in concluding that it had failed only because of inept and unintelligent application. The United States government appears to be operating on some such assumption as this presently. The government is beginning to shift from its long term policy of restriction toward subsidization. Actually, those who offer apologies for such shifts in policy would not be likely to admit that the earlier intervention was inept and unintelligent. Their apology would be a little more complex. They would announce that times have changed, and that new conditions call for new solutions. The assumption would be that subsidies in the early years of railroading were justified, that later regulation and restriction was necessary, and that now new

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subsidies are warranted. We can be reasonably sure that this would be the line because the arguments for relief from taxes, removal of restrictions, and the making of loans or the provision of other sorts of subsidies are frequently made on the basis that older practices are outmoded.

The argument from changing circumstances begs the question. The question is whether earlier intervention worked as it was supposed to. If it did not, as has been shown to be the case with the railroads, why did it not? Was it because of the ineptitude of the intervention? Or was it because government intervention, by its very nature, produces such consequences? The effects of intervention elsewhere offer a partial answer to the question.

Obvious Results of Intervention

The debilitating effects of intervention on the railroads is not an isolated instance of such effects. My own studies and reading have confirmed for me that it is generally the case. Sometimes, the effects of intervention are so direct in producing the opposite of what was wanted that they are readily apparent. Such has been the case with the New Deal farm programs and the later extensions of them. These programs were supposed to aid the small farmer and to reverse the flow of population from the farms into the cities. The results have been just the opposite: the benefits have gone, in the main, to large farmers, and the flow of population into the cities was accelerated.

The impact of some interventions have clear and predictable results. For example, the establishment of price controls with the maximum price below what the market price would be results in shortages. Contrariwise, the support of prices above what the market price would be results in surpluses. When wages are thus supported, there is a surplus of labor, i. e., unemployment. The increase of the money supply, other things remaining equal, will result in higher prices. These and other such economic principles can be illustrated with a hundred historical examples.

Some interventions have results that branch off in a variety of directions, some results being fairly obvious, others more or less obscure. Such have been the consequences of government intervention on behalf of labor unions. The most obvious results are increased unionization, effective strikes, the tying up of industries, higher wages and prices. There are many other less obvious results: the pricing of some products out of the market, the pricing of some

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workmen out of the market (unemployment), the arraying of workmen against workmen in strikes, the political pressures of labor unions for government programs that will reduce the available labor supply, and so on.

Unseen Consequences

Some interventions even appear to have salutary results because so many of their effects are hidden from view. This has frequently been the case with government's increase of the money supply (monetary inflation). Much that is attractive follows from this activity. Prices rise; debts contracted earlier can more readily be paid; money is much more plentiful, and a sense of economic well-being may be widespread among the populace. Investments of ready capital expand industries and offer higher levels of employment. The consequences follow in ways that are not usually readily identifiable with the cause. A contraction of the money supply – something that was bound to occur in the fairly short run so long as the monetary expansion had occurred by way of an increase of bank deposits when banks both operated on fractional reserve and men could demand gold for their currency – reverses the above effects and produces what is called a depression. If the money supply is not contracted, the eventual result will be an inflationary level that will make money, and all things expressed in it, worthless. But there are numerous intermediate effects of inflation. Inflation discourages saving, because money loses value as it is held. Those who have already saved will have the value of that saving dwindle away. Contracts expressed in monetary terms are only partially fulfilled.

Government regulation restricts, confines, diverts, focuses, makes inflexible, and alters the course of men's actions in hundreds of ways. Government programs are almost invariably predicated on the notion that a single cause will have a single and predictable effect. If prices rise, the answer to this, simplistically, is price controls. But it is not. For there are then shortages of whatever is controlled. Producers turn their production into uncontrolled areas. Energies are diverted into a hundred channels to evade the restraint. Government regulation can be likened to an attempt to dam a river on a vast and extensive plain. Build a dam athwart the path of the river and it will overflow its banks and follow new courses, perhaps many where there was once one. A series of new dams will only be followed by the same results, multiplied once again, most likely. Eventually, it

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will appear that the only way to dam the stream would be to build a dam from mountain to mountain, though it must be a thousand miles across to accomplish the purpose. In human affairs, such a constriction of the energies of a people is called totalitarianism, and it is this toward which government regulation and restraint tend.

The Nature of Government

Government regulation fails in the attainment of its purported object – often produces the opposite result – because of the nature of government, the nature of man, and the nature of economy. The nature of government is, or should be, very clear. It is that body, or those bodies, charged with the exclusive authority to employ *force* in a given jurisdiction. Force may be employed in two ways upon people. It may be used in support of *prohibitions* against certain kinds of actions. For example, murder may be prohibited, and force may be used to apprehend murderers or those caught in the act of attempting it, to hold them in jail, to bring them to trial, and to mete out punishment to those convicted. Or, force can be used to *induce* people to act in ways contrary to those to which they are bent. For example, force may be used on railroads to compel them to keep open stations which they would otherwise have closed.

A rather conclusive case can be made that governments can and ought to prohibit certain kinds of actions and punish offenders, a case as conclusive as any is likely to be in social matters. That is, an exceedingly strong case can be made that a body charged with the power to do so is necessary to the protection of life, liberty, and property and with the settlement of disputes which arise among men. A similar case can be made that the government so charged must have the power to compel the necessary support from those under its jurisdiction for the performance of its tasks. That is, government may collect taxes and may even compel peaceful men to take up arms to aid in the performance of these legitimate functions. (Of course, a government may be constitutionally limited as to how it goes about these things.)

Where Force Is Wasteful

No such conclusive case can be made for the use of government power to induce certain behavior in economic matters. On the contrary, men have quite sufficient inducement in the very nature of things to behave economically. Economy has to do with the frugal use of the elements of produc-

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tion – land, labor, and capital – to provide the goods and services most wanted. Everyman is inclined to do it this way. He is inclined to do as little work as possible to get the job done in the manner desired, to spend as little as he can to attain the quantity and quality of goods and services sought, and to use as little of his natural resources as will suffice. Indeed, he is inclined to use most frugally whichever of these are scarcest and to use most prodigally those which are in greatest supply. It is in his interest so to do.

Force is superfluous so far as it might be used to compel men to do what they would tend to do anyway by interest and inclination. It would not only be superfluous; it would be positively wasteful, for all the costs to provide the force would be above and beyond those necessary to get the job done.

Of course, governments do not employ force to get men to act in accord with their interests and inclinations. Government intervention into economy is an employment of force to induce men to do what would otherwise be contrary to their interests and inclinations. Even a superficial look at interventionist policies shows that this is their character. Governments intervene to induce companies to deal with labor unions, to induce men to join labor unions, to induce lenders to lend money at a lower rate than they could otherwise get, to induce employers to pay more than they would have to do to get employees, to induce companies to provide services which they would discontinue, to induce landlords to provide facilities at rates which are less profitable than they could get in the market, to induce men to charge more or less than it is in their interest to do.

Distorting the Facts

Most of the government interventions in railroading have been of this character. Government intervened to compel railroads to deal with unions, to fix railroad rates below the market level, to compel the provision of unprofitable services, to induce railroads not to compete with one another in significant ways, to induce them to set up certain work rules, to induce them to share their facilities, and so on, through a story already told.

Men do not cease to pursue their interests when government intervenes; they continue to do that as vigorously as ever. There is a very important difference, however. When men pursue their interests economically, they produce and provide the goods and services most wanted with the

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least use of resources. Government intervention changes both what appears to be most wanted and what appears to be the scarcest or most plentiful of resources. For example, when government offered a subsidy for the production of cotton above the market price, it made cotton appear to be in greater demand than it was. When it restricted acreage to be planted to cotton simultaneously, it made land appear to be scarcer than it was. The result was that farmers, who were in a position to do so, devoted much more capital to the production of cotton, thus producing more cotton than could be sold at the supported price, hence surpluses of cotton.

The setting of a price or rate ceiling below the market price makes it appear that less of a good or service is wanted than actually is the case. This, of course, has happened with rail rates. One of the results has been the declining investment in the railroads. Another has been the reduction of services. Yet another was the meeting of the real demand for service by newer and other means of transport.

If wages are raised above the market price, this gives an appearance that labor is in shorter supply than, say, capital, though, in fact, there may be widespread unemployment. The tendency will be for labor to be replaced by machines, perhaps, at an accelerated pace, or, perhaps, by greater usage of natural resources.

To put the matter in the broadest perspective, when government intervenes in one area, men shift their energies and attention to areas still left free or which may be relatively freer. For example, as the railroads were restricted and restrained, men turned more and more of their attention to the development of trucks, buses, automobiles, airplanes, and so forth. As the commercial uses of these have been increasingly regulated and restrained, the private transportation devices have been ever more extensively used.

Coddling the Criminal

There are impacts to intervention which go beyond just the economic effects, though these are often devastating enough. Over the last several decades intervention in the economy has been growing and spreading. Government has turned more and more from its protective and prohibitive role toward a role as inducer and regulator. Laws for the protection of life, liberty, and property are still on the books in many instances, of course. The police still apprehend violators on numerous occasions. Juries still try and, as the case may be, convict

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those charged with such offenses. Beyond this point, however, the use of force to protect the citizenry has begun to break down. There is a widely expressed view that prisons are only for the rehabilitation of criminals, not for their punishment. There are even those who claim that punishment does not deter the commission of crimes (though some would restrict this view to crimes of passion). Once admit these premises, the criminal becomes an object of solicitude, and the use by government of force upon him becomes aggression. This is especially the case when it is also believed that the criminal is a victim of the society in which he has grown up.

For these and whatever other reasons there may be, many of the courts have taken to treating those charged with committing crimes with great solicitude. Their rights are ever more carefully protected in trials. Capital punishment has virtually disappeared. Probation after a short period of incarceration is commonplace, and suspended sentences are the order of the day.

This has occurred while government's use of force to intervene in economic matters has mounted. Statute books, state and national, are filled with minute and massive interventions ranging from the silly to the near catastrophic. The present writer has never encountered arguments to the effect that the threat of punishment will not induce people to pay their taxes, to obtain licenses, to refrain from forming trusts, to plant only the allotted acreage to crops, to obey the rulings of the Interstate Commerce Commission, to accept fiat money in payment of debts, to pay the minimum wage, to recognize and deal with the union certified by the National Labor Relations Board, and so on, and on. Indeed, it is everywhere apparent that the threat of punishment must induce men to comply with a great maze of laws, many of which clearly run counter to their economic interest.

Government as Plunderer

In recent decades, crimes of aggressions by individuals and groups have increased much faster than has the population. Such crimes as rape, aggravated assault, intimidation, robbery, and murder have become rampant. If trespass upon property were as strictly defined as it once was, the amount of violations would no doubt be much greater than it is. Intimidatory groups have frequently been permitted to terrorize selected peoples with impunity.

The connections between intervention in economic activities, on the one hand, and the tendency

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toward the breakdown of traditional law and order lie beneath the surface of things and are difficult to ferret out. One of them is the revolutionary thrust which gives impetus to the intervention. It is the desire to make over American society in an egalitarian fashion, and traditional protections of the individual must be broken down for the new society to emerge. Another connection is that the enforcement of the fantastic array of interventions overburdens government and leaves it weakened for its traditional tasks. Yet another is that the increasing force exercised by government has tended to disintegrate society so that social restraints on aggressive behavior are not as effective as formerly.

The impact of intervention, then, is disintegrating in its effects upon society, disruptive and diversive in men's efforts at economy, interferes with voluntary cooperation among individuals and groups, inhibits and redirects individual efforts, and is productive of confusion in industrial life. All too often, intervention produces the opposite of what would be wanted, produces an ineffective railroad system rather than a vital one, drives farmers from rural areas rather than making it possible for them to make a living, creates unemployment, takes away the value of men's savings, turns them away from serving one another to taking advantage of one another under the cover of governmental programs. Government intervention begets more government intervention. Just as a dam built across a river on an extensive plain will result in numerous rivulets which must in turn be dammed, so government intervention diverts men's energies into the remaining areas of freedom which must, in turn, be reduced in the vain hope that the earlier programs can be made to work. When an industry has finally been brought to heel in this fashion, it can no longer effectively perform its tasks. Government may then take over the industry directly or may subsidize it as an intermediate step to taking it over. Even now, this denouement is being acted out with the railroads.

Release Human Energy

There is an alternative to intervention. To see it clearly we must redirect our sights. Government intervention proceeds by using force to induce men to act contrary to their interests. This, men will hardly do, though Draconian measures be applied against them. There is, however, a vast amount of energy to be found in people, energy which is only potential at its inception. A child at play shows

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how great is the energy available. Parents must have ever remarked that they wished they had only a fraction of the energy the child releases. The child runs first to this and then to that, whoops and hollers, invents some game which fascinates him for a moment, becomes bored quickly and turns to some other diversion. This is human energy in its raw state, giving the appearance of being bountiful because it is undisciplined and unrestrained.

The energy potential in man is great for either destruction or construction. No other being on this planet has ever shown the adeptness for destruction that men can do when they put their minds to it. They can burn whole cities, destroy crops, rape, pillage, kill, and lay waste. When they are bent upon construction, they can devise and build such works of beauty and utility as no other creature could even imagine. They can build, heal, transport, provide food and raiment, manufacture, compute, educate, and use their brains and hands in thousands of ways wondrous to behold. Or, they can be so restricted and restrained by force that they neither destroy nor build with any will. Whole populations can be so enslaved or enserfed that their works do not live after them and their lives are little above brute level. Each of these potentialities of man has been fulfilled many times in the brief span of 4,000 years or so of recorded history.

Discipline and Organization

Two things are necessary for the vast energy potential in men to be applied constructively. One is for the energy to be released. The other is for it to be disciplined so that it can be effectively applied. There is a major clue to the release of energy in the child at play. The child is following his own bent; he is *interested* in what he is doing, or, what he is doing interests him. To change this with a young child, it is necessary only to assign him to some task which he would call work. He will become tired almost at once. The abundant energy which he was just displaying will quickly disappear. He is no longer interested in what he is doing. Men are like that, too, though "interest" has become something much more extensive and comprehensive than it was for a child. Interest is not simply what gives him immediate pleasure. He has learned to defer immediate gratification for expected future gratifications. He works because it is in his interest to do so. He is interested not only in himself but in his wife, his children, perchance his parents, future grandchildren, and a broader

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community which aids and protects him. He is interested in his rights and his possessions – his lands, houses, vehicles, and a hundred and one things which he owns or desires. His energies are readily released in defense of and in pursuit of a multitude of interests.

To release the energies of a man it is necessary to secure to him the fruits of his labor and the protection of his possessions. He will not willingly act against his interests, nor can he be readily induced to do so. Government intervention does, however, lead him to dissipate great quantities of energy to protect and advance his interests. Virtually all of this is so much waste. Americans today waste vast quantities of energy either in complying with government restrictions or finding ways to evade them. Not only that, but some of the regulations positively inhibit the employment of energy.

Discipline and its social corollary, organization, are essential to the constructive employment of energy. The broadened conception of his interests may lead a man to submit himself to discipline. A child may be trained to discipline and direct his energies. So may men in social organizations. Great constructive activities frequently require that men cooperate with one another. This they find ways to do if they are restrained from injuring one another and are left free to pursue their own interests.

Much of the trouble in America today, as well as in much of the rest of the world, is that many organizations are arrayed against one another and some are deeply divided from within so that rather than facilitating constructive activities they are inhibiting them and dissipating energy in contests. Labor unions pit employees against employers. As American affairs have become more and more politicalized much of the energy of many organizations is devoted to gaining favors for the members, favors of wealth taken from the general populace by taxation. Both force and the possibilities of gaining such favors must be denied to organizations before they devote themselves to constructive activities once again.

The Alternative Is Liberty

The alternative to government intervention, then, is individual liberty. It is the release of the vast energies which men contain to constructive purposes. There is much that serves to help discipline man, but an invaluable support of self-discipline is the facility it gives him when he is able to pursue his interest. There are people today who would like to see passenger trains serving Americans at large once again. Some of these

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people believe that the way to achieve this end is to have government intervene. Yet intervention contains and diverts the energies of a people. It provides passenger trains at the expense of giving up other uses which people might prefer for their money. If there is a market sufficiently large to warrant passenger trains in America, it is most likely that railroads would provide them if the energies of their personnel were freed from the present confining restraints. If rate control were removed and investors could see clearly once again what was in demand, they would release funds in that direction. So it would be for a great range of goods and services which commercial establishments can hardly provide because of the restraints upon them.

Government intervention dams up and diverts the energies of the people; freedom releases them to constructive purposes.

Throttling the Railroads

by CLARENCE B. CARSON

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The foregoing article, "The Impact of Intervention," was prepared as an epilogue for the book. Dr. Carson's entire series on railroads is now available and may be ordered from:

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Grover Cleveland.

Tell the TRUTH

RAY L. COLVARD

ROBERT L. HEILBRONER in the introduction to *The Worldly Philosophers* observed that among the great economic thinkers in his books were "a madman, a parson and a stockbroker, a revolutionary and a nobleman, an aesthete and a tramp." The significant trait they shared was curiosity. Last August I had an opportunity to participate in a seminar at FEE. Although none of my fellow seminar participants that particular week fitted Professor Heilbroner's more bizarre categories, the notable curiosity of the philosophers was, I found, lavishly distributed. Many of us had, as teachers, searched for comfortable, noncontroversial positions between the ideological extremes labeled "freedom" and "equality" or "individualism" and "collectivism." Like Plato, so long ago, we questioned whether or not true democracy must inevitably lead to irresponsible anarchy and aristocracy to privileged oligarchy. Much of our effort that frenzied week at Irvington-on-Hudson was concerned with pinpointing the "good" economics philosophy.

A new concept of liberty was suggested by the speaker one afternoon – freedom from paternalism. That was a troublesome idea to me. How was it possible to deny the obvious historic merits of the Square Deal, New Deal, and Great Society? Could we dare not to license our government to save American businessmen from foreign competition, not subsidize "infant" industries, not guarantee fair wages for workers, parity for

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farmers, and profits for investors? Could we reasonably expect average citizens, without the ministrations of benevolent government, to anticipate the financial hazards of ill-health and old age? This, then, was the crux: Was paternalism our answer or was it, in grim reality, alienation from initiative and opportunity?

The flow of ideas came rapidly that week at FEE. Fortunately for me a mental rest stop was available in the guise of an optional classroom session. Here the real students in the seminar had an opportunity to direct more definitive questions to the lecturer, and slow learners, like myself, found time to rescue Adam Smith from the bosom of the Adams family and to determine that the writings of John Stuart Mill were different from those of C. Wright Mills.

The poet Horace, I recalled, wrote: "Get money, by fair means if you can; if not, get money." This had been the continuing war cry of those whose hands reach toward the national treasury. Each President was thrust by them into the role of vault guardian or of dispenser of largess. "After all," one of the seminar participants pointed out, "it's only government money to a President, but it's the life's blood of politics from county seat to Capitol Hill. No politician can withstand the party bosses and pressure groups who consider him 'their' man."

"There was one who could, and did:" the seminar lecturer observed, "Grover Cleveland."

One Version of the Man

From the "facts" which had been learned in my U. S. history courses Cleveland had been fat, stubborn, and honest, but no hero.

He fathered an illegitimate son.

He vetoed veterans' bonus bills.

He married a girl half his age.

He ordered Federal troops to break strikes.

He thought manifest destiny was dead.

He was "the stuffed prophet of naked conservatism."

The terrible-tempered editor of *The Iconoclast*, William Cowper Brann, was widely quoted by the "debunkers" school of history:

> . . . Caesar and Napoleon treated the people's representatives with almost Clevelandesque discourtesy; but neither sent a substitute – a hired assassin – to the front to do his fighting, while he played pinocle for the beer and wallowed around in fourth-class bawdy houses with disreputable widows. . . .
>
> . . . Instead of making the White House the resort of authors, poets, painters, philosophers and scientists, it is the rendezvous of female necromancers and nigger mascots.

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Integrity and Responsibility

Neither scholarship nor originality is implied by this resume. It is merely a look into a single facet of the Cleveland character, honesty. The historian, Allan Nevins, concluded his monumental biography by stating:

> We are surrounded on every hand by leaders who compromise here and waver there. Even the great among them are too often found to have a breaking-point, to be ready to surrender part of an eternal principle in order to obtain a temporary gain. From such leaders it is pleasant to turn to the memory of Cleveland. . . such an example of iron fortitude is better than to have swayed parliaments or to have won battles or to have annexed provinces.

The Cleveland dimensions of bravery in his stand on personal integrity and public responsibility makes him a man for all seasons. Without the brilliance of Jefferson or the mystique of Lincoln his indomitable will made him their peer. Cleveland, tongue in cheek, no doubt, said: "It is no credit to me to do right. I am never under any temptation to do wrong." That ironic witticism, more than any display of righteous anger, gives us a glimpse of the sensitive human behind the bold public figure. His enemies were vocal and colorful. "Pitchfork Ben" Tillman ranted: "Send me to Washington, and I'll tickle Cleveland's fat ribs with my pitchfork!" A Midwestern "Silverite" shouted: "I detest him so much I don't even think his wife is beautiful."

Except for a catastrophic physical crisis Grover Cleveland's universal order to his supporters was, "Tell the Truth." His illness and the removal of malignant palate and upper jaw during the summer of 1892 remained a virtual secret from the public for a quarter century. About this tragic event Cleveland probably lied more than he did on all other issues throughout his lifetime. He told the truth "without fear or favor," but as the Indianapolis *Sentinel* stated in 1896:

> . . . No president was ever so persistently and malignantly lied about as Grover Cleveland has been. The judgment of thousands of men has been warped by whispered stories that are too silly to discuss.

The Dangers of Paternalism

The historic lessons of economics and politics must be re-learned by each generation. Cleveland could teach them only for his time. The market, not government, he held, must determine economic direction. Paternalism by government destroyed the initiative of the people.

> The lessons of paternalism ought to be unlearned and the better les-

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son taught that while the people should patriotically and cheerfully support their Government, its functions do not include the support of the people. . . .

Demands for pensions by professional patriots during Cleveland's administrations are paralleled today, to a remarkable degree, by "Welfare Rights" advocates. Cleveland signed far more private pension bills for Civil War veterans and their dependents than he vetoed. The significance of his heroic stand is that no earlier President had vetoed one. Cleveland's vetoes were for benefits to dead pensioners, to widows long ago remarried, to wartime deserters, and to individuals who would have enlisted if the war had not ended so soon. One bill which he vetoed demanded a pension for all Union soldiers on the grounds that each one had come out of the war physically weaker than he had entered it. He virtually stood alone in saving the national treasury from the greed of the Grand Army of the Republic. The collective strength of political, special interest groups was not great enough to defeat him.

Warnings Against Collectivism

Cleveland's warning against collectivism is timely now. Modern economists like Robert L. Heilbroner and Kenneth Galbraith point out that the "communism" of wealth and capital already is here. Businessmen are now openly pressuring for more government investments in aircraft, railroads, and securities. Socialism is widely advocated by industrialists, entrepreneurs, and educators under the euphemism, "social capitalism." Cleveland spoke to the nation at the end of his first term:

> Communism is a hateful thing and a menace to peace and organized government; but the communism of combined wealth and capital, the outgrowth of overwhelming cupidity and selfishness, which insidiously undermines the justice and integrity of free institutions is not less dangerous than the communism of oppressed poverty and toil, which, exasperated by justice and discontent attacks with wild disorder the citadel of rule.

In today's economic jargon, when national wealth is measured in "gross national cost" and the nation's money evaluated in terms of "credit," Cleveland's warning against communism may seem atavistic, just as a superficial analysis of his decision to return to a sound dollar may appear as a Pyrrhic victory. Nearly a billion dollars in fiat money and Civil War greenbacks in commercial channels provided an endless nonreversible conveyor belt for moving American gold into European banks. Cleveland called a hostile Congress into special session. "Fiat" was not and never could be equivalent

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to intrinsic value. He said, "The people of the United States are entitled to a sound and stable currency, to money recognized as such on every exchange and in every market of the world." In spite of William Jennings Bryan's emotional counter appeal for the "unnumbered throng," "work-worn," and "dust-begrimed," Cleveland and the nation won. The Silver Purchase Act was repealed. The battle for sound money was won for his generation. As reported by *The New York Times:*

> . . . at that moment, as often before, between the lasting interests of the nation and the cowardice of some, the craft of others, in his party, the sole barrier was the enlightened conscience and iron firmness of Mr. Cleveland.

The Democratic Party in 1896 repudiated his leadership. The paradoxical Republican triumph of William McKinley was Cleveland's last great victory. The Baltimore *News* stated it succinctly.

> When the history of the present time comes to be seriously written, the name of the hero of this campaign will be that of a man who was not a candidate, not a manager, not an orator; the fight which has just been won was made possible by the noble service of one steadfast and heroic citizen, and the crowning achievement of his great record. . . . It is impossible to over-estimate the value of the service Grover Cleveland has done through his twelve years of unswerving fidelity to the cause of honest money.

Here I rest my thesis. I am grateful to the member of FEE's staff whose answer sparked my curiosity. I think I understand the character of Grover Cleveland more fully now than I did several months ago. I think I also understand something more about FEE. I would attempt to excuse the dullness of my perception except for a highly comforting observation in Leonard E. Read's *Talking to Myself:*

> The only thing new about an idea is its newness to any one of us. And it is never new prior to the point of apprehension – that is, until it has hatched and, thus, become one's own. . . .
>
> Getting results on behalf of the freedom philosophy here and now, in this context, is any shift toward enlightenment that takes place in a lifetime. Patience!

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Why I Left England

EDWARD L. MCNEIL, M.D.

I AM OFTEN ASKED why I left England and the National Health Service to come to this country. There is no simple answer like "money," "opportunity," "politics," or "climate," but if I describe the conditions under which I found myself practicing medicine in England, the reader may find his own answers.

When I qualified as a physician and surgeon, the NHS had been established for five years and there was virtually no private practice of medicine in England. The practice of medicine in wartime did not offer any relevant basis for comparison with the system I found myself involved in; nor did the practice of medicine before 1939 as, in retrospect, that was another era about which the older practitioners were reluctant to talk. (I naturally suspected the old system of private practice wasn't good.)

My only knowledge of private practice in the U.S.A. was from a small number of patients and friends who had been there and reported that medical care was very expensive and that one had to establish credit at a hospital before being treated or admitted.

It was not until I had been in my own solo practice in Yonkers, New York, for about two years that I realized the tremendous advantages of the private practice system.

As a student I had always been more inclined toward the surgical disciplines, so my first "house job" was as House Surgeon in a Lon-

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Dr. McNeil came from England several years ago to the private practice of medicine in the United States. His article is reprinted by permission from the January, 1971 issue of the magazine, *Private Practice*.

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don hospital with two surgical wards, 36 male beds, and 36 female beds. There was also a smaller ward of about 10 beds which was used to isolate clean orthopedic cases and serve as a spare ward for overflows of one or the other sex. There was rarely an empty bed and I had the unpleasant task of turning down at least two out of three requests by GP's for emergency admissions. Selective surgery cases had their admissions arranged through the waiting lists compiled by OPD clinics.

I later learned what it was like to be a GP trying to have a patient admitted for an emergency condition, telephoning five or six different hospitals without success, then, in frustration, sending the patient to the emergency department of a hospital that had already turned down a request for admission, and hoping for the best. In later years, London had what was called the Emergency Bed Service to which a GP could direct his requests for admission and they would call all the hospitals for him, then force the hospital they considered most able to adapt to an extra admission to take the patient. (This system was fine in theory, but in practice it would often take the EBS six to twelve hours to find a bed, and some patients could not wait that long.)

As the only house surgeon for at least 80 surgical patients, including some in the pediatric ward, I worked very hard but appreciated the technical experience which I crammed into six months. Within two months of qualifying, I was performing laparotomies in the middle of the night, relying entirely on my own diagnostic abilities, relying on the house physician or obstetric house surgeon (also newly qualified) to give the anesthetic, and relying on only one scrub nurse for my surgical assistance. (Before 5 P.M. I did have an Indian surgical registrar – a senior resident who was an excellent surgical tutor – to guide me, and the two attending surgeons did "rounds" every other day and a rushed "round" after their operating sessions.)

Clinic vs. G. P.

What humility I had as a "new boy" receded very quickly with the volume of experience, and I soon found myself agreeing with the other house staff that those doctors out there in GP land had minimal medical knowledge and no manners. Fancy an experienced GP sending a patient to the Casualty Department with a scribbled note saying, "Please see and treat," with no history noted or any attempt at diagnosis; and such bad manners, when I had already

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told him on the telephone that I didn't have any empty beds and we had seven extra beds up in the corridors and down the middle of the ward!

Assisting the Chief and the Registrar at the surgical clinic also put me in the position of advising GP's with decades of experience about the diagnosis and management of their patients. The conceit of youth! At the clinics, the Chief would see the least number of patients and those most potentially interesting. The Registrar would share the remainder with the house surgeon. From the patients' point of view, it was pot luck whether they saw a real surgeon or me.

(Only a few years later, I found myself as a GP referring cases to the clinic and waiting a few months for a letter from a newly qualified pipsqueak house surgeon telling me that the diagnosis had been considered to be "so and so," "such and such" had been done, and the patient was referred back to me on "such and such" medication.)

I quite naturally came to the opinion that a newly qualified physician was at the peak of medical knowledge and know-how and thereafter it was a steady decline in his knowledge and ability. I took comfort in the excellence of my medical training but was repeatedly surprised at meeting situations I had not been taught about and finding patients didn't all respond to treatment as they should. Something seemed wrong with the system.

Little Prospect for Advancement as a Surgeon

As previously mentioned, I was surgically inclined and considered I would eventually become a surgeon. A look at the prospects of surgical colleagues who were five or six years ahead of me in the race made me realize I might as well forget it. I knew many who had spent over five years in the specialty only to quit and go into general practice because the chances of becoming an attending surgeon (known as a Consultant) were so slim. A hospital of over 200 beds would only have one or two surgeons of consultant status and often the same surgeons would cover other hospitals as well. The only vacancies for consultantship occurred when a surgeon died or retired at the age of 65.

The situation in 1956 was that for every vacancy there would be about 70 applications for the post, each applicant having had considerable experience in surgery, holding an FRCS and many also having a Masters Degree in Surgery. Many of the vacancies would be in localities one wouldn't

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rationally choose as a place to live and bring up a family.

(I have heard that the situation has altered over the last few years and the competition for the posts is not as frustrating. This is because so many of the trained surgeons have emigrated. For many years, over 500 doctors were leaving the United Kingdom each year. Last year approximately 400 left.)

After my first surgical job, I became the house physician in the lovely Wiltshire market town of Salisbury near to Stone Henge. I enjoyed the experience and the six days off I received in the six months. One of the doctors in the hospital had just returned from a residency in the U.S.A., and from him I caught a glimmer that there were other ways to practice hospital medicine – and combine it with general practice.

However, my roots were in England and in its system, and one year of experience was not enough to say it didn't suit me. I entered general practice in a working-class suburb of London in close proximity to where I had been the house surgeon. It did not take me long to question the attitudes and infallibility of the hospital-based doctors when I was wearing the GP's shoes. If I visited my patients who had been admitted to hospital on my old wards, I found I was less than welcome. Other GP's informed me that I would be considered to be interfering if I did visit them.

To supplement my income and get my foot in the door of a hospital, I obtained a post as clinical assistant in the OPD of the Royal National Throat, Nose, and Ear Hospital in London. There, at least, I was able to order some follow-up studies and see some X-rays.

One of my duties in the ENT clinic was to help re-evaluate those children on the waiting list to have their tonsils removed, to see if they should be moved up the list or onto the list with less priority. Some had been on the list six years! (At the time I left, the theoretical waiting time on the day the child's name went on the list was 10 years. This reckoning was with the assumption there would be no modification of priorities, no child would leave the area, and no tonsils would recover without surgery.)

Make the Patient Wait

An ex-minister of health, The right honorable J. Enoch Powell, admitted in his book, *Medicine and Politics*, that the only effective method for putting a brake on the unlimited demand for medical services was making patients wait for services. Many elective sur-

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gical procedures such as cholecystectomy and herniorrhaphy have a waiting list for admission. One to two years is not an uncommon time to wait for these procedures. The "novel" method of using "payment for services" – be it only a small price – has been little used as a brake on unlimited demand for services.

Some years ago, when prescription costs were soaring and the NHS was under a greater financial strain than usual, a token charge of approximately 25 cents was placed on each prescription instead of the medication being "free." During the six months following the initiation of this charge, the number of prescriptions decreased by almost 30 per cent. With an election in the offing, the government in power at the time interpreted this decrease as meaning that 30 per cent of the patients receiving a prescription from a doctor could not afford 25 cents (the cost of one-third of a packet of cigarets)! The charge was then discontinued.

Much Hard Work — Often Wholly Unnecessary

To return to the subject of my year in general practice, I was already used to working hard and long so the volume of patients seen in the office and on house calls didn't bother me too much until I realized that at least one-quarter of the patients needn't have come to see me at all on the occasion on which they did. The patient load fluctuated too closely with the midweek soccer games being played at home and with the preholiday seasons.

Certificates for sickness absence (after the fact) were always tricky and frequent. If I hinted that I suspected some hanky-panky, the patient usually stuck to the story that he had come to my office but there were too many patients waiting and he felt too sick to sit there and wait. I usually handled the situation by giving the patient the certificate and saying, "Of course, I'm sure YOU were sick but some people use my certificates improperly and they may get me into lots of trouble."

Not having any X-ray facilities in the office, less than meager lab equipment, and little or no time for work-up tests, any patient seen who needed those tests had to be referred to the hospital clinics. A very few simple tests could be referred directly to the hospital lab (mainly those concerned with the diagnosis and treatment of TB) but anything approaching a blood chemistry, an EKG, or an X-ray could not be ordered by the GP directly, so the patient had to be referred to the appropriate clinic for those doctors running

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the clinic to decide on the tests and order them.

The result of this angle of the system, plus the difficulty of obtaining a hospital bed for acute conditions such as myocardial infarction, pneumonia, and stroke (especially stroke), meant that a GP treated many of these conditions in the patient's home without any of the ancilliary diagnostic aids which would be routine in a hospital. I recognized the satisfaction of "curing" a condition with minimal help of diagnostic equipment and lab tests but there was always that sneaking suspicion at the back of my mind that the patient may not have had the condition I thought I had cured. Without this confirming knowledge, there was no testing of one's diagnostic and therapeutic ability and so improving one's effectiveness as a physician. With my present knowledge of cardiac arrhythmias which can be prevented or ameliorated by information only to be gained from ancilliary equipment, I shudder at the risks the patients ran under my care.

Toward the end of my year in general practice it became clear to me that if I remained a GP under the NHS, I would be practising medicine at an unsatisfactory level both from the point of view of my own lack of opportunities to improve my abilities, and from the point of view of my patients, as there seemed few ways of improving the quality of medical care being given. The urge to see the practice of medicine on the other side of the Atlantic increased so that when the sub-dean of my medical school asked me if I would be interested in a surgical residency in New York, I was on the boat in less than a month.

A Second Look

After a year in New York which opened my eyes to the tremendous opportunities here and the advantages of private practice, I returned to England for a time to clear up personal matters and to see if I had been mistaken about the NHS. I spent a year as Casualty Surgeon in a North Devon hospital in a charming small town from which part of the English fleet sailed to meet the Spanish Armada. My pay ($45 a week) was three times as much as when I was a house surgeon and I was given a nicely furnished apartment, but the bureaucratic administration of the hospital was irksome and wasteful.

The GP's in the area had decided advantages over those in the metropolis and other big cities, insofar as they held appointments as surgeons, internists, and anesthetists on the hospital staff. However, as these men retired or died,

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their posts were filled with full-time specialists so the future as regards becoming an attending surgeon or a GP with hospital privileges was the same as elsewhere in the country.

Although the hospital was small (less than 200 beds) there was a veritable army of administrative assistants. Before nationalization, there had been a maintenance employee who looked after the heating system, lighting, and mechanical appliances, with occasional help from outside private firms. At the time I was there, they had a chief plumber, electrician, heating engineer, and other specialists, all under a chief maintenance officer, all complete with offices, desks, and secretaries, and inventory clerk. The hospital secretary also had a secretary. A few miles away was the governing hospital of the area, with a large administrative staff to pass on orders to the hospitals in the group; and, of course, *they* were passing on orders from the Ministry of Health in London.

The town badly needed a new hospital with a modern building, and the chance of one being built was nil. Since the inception of the NHS in 1948, only three new hospitals have been completed in the whole country. I would be surprised if there were any *counties* in the U.S.A. that have not had at least one new hospital since 1948.

Within two years of returning to this country, I was in private practice and on the staff of three hospitals, and enjoying the immense amount of post-graduate education available in those hospitals. My office was equipped in a manner that would have been only a dream in England. The advantages of having a lab, X-ray equipment, physiotherapy equipment, an EKG machine, and an examining table that was designed to allow proper posturing of the patient, were great luxuries to me. They allowed me to offer services to my patients that to obtain under the NHS, they would have had to shuffle from clinic to clinic and hospital to hospital, hardly ever knowing who the doctor was who examined them.

I have been here permanently for 13 years now and I often wonder what sort of a physician I would be now if I had remained in England. A few years ago, my old medical school sent a list of all the old students. Reading down the list and noting their present addresses, I counted that more than half of those that graduated in my class had left England or the practice of medicine. Others must have thought as I did.

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Speak for Yourself, John

LEONARD E. READ

MILLIONS of Americans realize that our politico-economic situation is askew. Yet, few are speaking their minds, that is, consulting the conscience and then saying openly and honestly what they truly think. They leave the task of speaking out to organizations and professionals and, by so doing, gain a false sense of discharging their social responsibility. My purpose here is to examine this error.

The limited role of organizations, when delving into politico-economic affairs, is rarely recognized by their supporters and all too seldom by the persons in charge of operations. Unless these limitations are known, such institutions must head down the wrong road – their efforts rendered useless. Happily, the potentialities for usefulness are tremendous, once the limitations are known.

An experience may help to illustrate my thesis. I had been asked to a southern city to lecture to some fifty invited guests. Among them was a brilliant, hard-headed business executive – more or less unfamiliar with our efforts. As the three-hour lecture and discussion session drew to a close, he asked in all sincerity, "I am sympathetic with your philosophy, but what is it you really want?"

My reply: "You!"

Obviously puzzled, he asked, "You mean you are not looking for money?"

"No. This is not essentially a money problem but one of brains – if I may use such loose phrasing."[1]

"Well, you can buy brains with money, can't you?"

"Not the kind I am talking

[1] Of course, organizations have to be financed. I, however, believe no more in "looking" for money than "reaching" for converts. If the work is needed, and well enough done, adequate financing will be volunteered by those who value the efforts.

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about. The intellectual qualities required to cope with the social problems we have been discussing can no more be coaxed or cajoled into existence by money than can friendship or patriotism."

Overspecialization

This executive, dedicated to his own business and typical of countless thousands of highly positioned individuals, is carrying the practice of specialization a bit too far. He has been assuming that the politico-economic waywardness of the U.S.A. can be corrected without him, that organizations can be structured to do the job, that he can give them some financial support, that there is nothing else to it! His only responsibility is check writing.

When financial backers believe this, and when those who establish and operate organizations entertain notions that they are cast in the role of helmsmen to steer the ship of state, the inevitable result is failure. Better that there be neither supporters nor organizations for this wholly unrealistic view of how improvement can be achieved. This assessment is why I replied "You" to the business executive's question. For it is you, whoever you are, not organizations, to whom we must look for solutions to politico-economic problems.

First, let us recognize what organizations cannot do. My critical conclusion stems from intimate experiences spanning 44 years: secretary of two small chambers of commerce, a decade with the National Chamber, general manager of the country's largest chamber, a brief spell as executive vice-president of the National Industrial Conference Board, and the past 25 years as the operating head of FEE. I have learned about the limitation of organizations the hard way: organizational voices broadcast to the public or at legislatures go pretty much unheeded, claims to the contrary notwithstanding. Might as well howl at the moon.[2]

There is reason aplenty for the indifference and apathy that greets organizational pronouncements. Organizations designed to deal with the politico-economic realm are typed. They may or may not truly stand for any particular interest or doctrine, but they at least pretend to do so. This has been said of FEE no less than of ADA. Fence straddlers or opponents, the ones these eager and

[2] Some readers, observing the enormous influence of labor unions, for instance, may think this conclusion in error. Merely bear in mind that my remarks are directed only to the process of advancing enlightenment, not to the techniques of coercion, violence, warfare. In the latter case, the more troops, the more likely is "victory."

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misdirected organizations "try to reach," heed them not. Why? Because these organizations are suspected of having an axe to grind!

There is, moreover, a compelling reason why pronouncements ground out by committee procedures – a common organizational feature – deserve no hearing. Having, on one occasion, 200 committees in my organization, leads me to share the harsh criticism leveled at the process by Leo Tolstoy:

> From the day when the first members of councils placed exterior authority higher than interior, that is to say, recognized the decision of men united in councils as more important and more sacred than *reason and conscience;* on that day began the lies that caused the loss of millions of human beings and which continue their unhappy work to the present day.

Mindless Organizations

Reason and conscience originate in and find expression only in and through *you* or other discrete individuals. Committee resolutions or organizational positions, on the other hand, are the outcroppings of men united in council. As a rule, they represent whatever compromises are necessary to gain majority acceptance. These compromises are but stabs in the dark aimed at a position not too disagreeable and, in consequence, they form an amalgam or potpourri substantially divorced from reason and conscience.[3]

Once we recognize that our social waywardness stands no chance of improvement, let alone correction, unless reason and conscience come to the rescue, and when we see that these qualities of the intellect have their source only in *you,* then it logically follows that *you* must speak for yourself. Not FEE! Not any organization! *YOU!*

Just before I began this treatise, two illuminating examples of *you* in action came to my attention. The first was from a college president, a man of unusual insight and understanding. He sent along an article of his that was about to be published. In this article he had broken his silence on our politico-economic dilemma; this was an honest, forthright expression of his insights and reactions. Integrity glowed through every word of it! Here we have reason and conscience applied – worth more than all the committee resolutions ever written. Who knows! Perhaps others will follow his exemplary conduct. If they do, we will witness a turn toward a sound economy.

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[3] For a treatise of this, see the chapter, "Appoint a Committee" in my *Anything That's Peaceful* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1964), pp. 89-107.

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The second has to do with a cliché that has been thrown in our face for the past 40 years: "If socialism is so bad, as you folks claim, why does it work so effectively in Sweden?" We have known all the time that socialism has never worked in Sweden; indeed, we know that it can never work anywhere. But try to prove it! It took a *you* to do it, in this instance an individual on the other side of the ideological fence. The celebrated Swedish socialist, Gunnar Myrdal, remarked, "The organized welfare state has gone mad."[4]

You Must Decide

Suppose FEE had been on TV all of these years and had repeatedly broadcast these very words. Effect? Probably the opposite of that desired. But let the renowned Dr. Myrdal make the acknowledgment and we can cite an authority on how Swedish socialism is not working.

Having, at least to my satisfaction, settled upon *you* with your reason and conscience as the sole source of any effective change for the better, it is plain why we at FEE have, over the years, turned a deaf ear to the countless pleas publicly to speak for you. Over and over again: go on TV, speak over the radio, get your works in the *Reader's Digest*, sell the masses, reform the heretics, set the politicians right, and so on! And we say in reply, "Speak for yourself, John!"

Well, where does this kind of an attitude leave FEE? What remains for us to do? Actually, a task bigger than we can ever adequately perform, a field with possibilities and challenges unlimited. What can that be? *Rendering a service to YOU!*

Division of labor — specialization — does, in fact, apply here but caution must be exercised lest personal responsibility be lost in some subdivision. Responsibility for a society featuring freedom of choice — freedom to create, to produce, to exchange, the right to the fruits of one's own labor, limited government, along with moral and spiritual antecedents — can no more appropriately be delegated than can responsibility for self. Your society is no less your problem than is your own life and welfare, thus your social responsibility can be discharged only by thinking for self and speaking for self. The requirement, I repeat, is you!

What goes on in society — good, bad, or indifferent — has its origin in you. It follows that you must

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[4] See "White Collar Strike Forces Swedes to Question Welfare State's Future." *The New York Times*, February 26, 1971, p. 3.

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assume responsibilities for whatever delegating is done. What sort of thing can you appropriately assign to others? Not your thinking – which is nontransferable –nor your speaking – which should reflect your convictions. Such assignment is alienation, a divorcement from one's own responsibilities. What then? Not you or I or anyone else can ever go it alone in the freedom philosophy, for it is as broad as wisdom and deep as understanding. Thus, everyone of us requires helpers. It is therefore appropriate to delegate to others such chores as befits one's own requirements: the gathering of facts and ideas, searching for the best there is in ideals and moral goals, and related aids. In a word, it is the leg work, as we say, that can appropriately be delegated, as when one selects a tutor or teacher.

A Service Role

FEE's role is of this sort, that is, FEE is not an institutional spokesman nor an organization trying to "reach" anyone. Rather, ours is, one might say, no more than an agency offering such services as you may think of value in your own search and personal growth. This and nothing more!

Once we who labor within such institutional frameworks realize our humble place in the total scheme of things, then countless potentialities burst into view. The opportunities for achievement can now be seen as limitless which is by way of saying that the pursuit of excellence is a road without end. Instead of playing the utterly futile game of trying to "reach" others, we can concentrate on getting enough into our own mentalities and improving our services to the point where others will reach for us. And, by the way, we have a fair means of measuring how well we are doing: the extent to which we can, at any given time, look up to those who once looked up to us. The excellence of a teacher can be judged by the students who finally excel him. You find it useful to reach for us now and, who knows, we may soon be reaching for you!

All of this is more than likely when enough individuals heed the admonition, "Speak for yourself, John."

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Downward Price Flexibility and Economic Growth

GARY NORTH

It would appear that the reasons commonly advanced as a proof that the quantity of the circulating medium should vary as production increases or decreases are entirely unfounded. It would appear also that the fall of prices proportionate to the increase in productivity, which necessarily follows when, the amount of money remaining the same, production increases, is not only entirely harmless, but in fact the only means of avoiding misdirections of production.

F. A. HAYEK,
Prices and Production, p. 105

ECONOMIC GROWTH is one of the chief fetishes of modern life. Hardly anyone would challenge the contemporary commitment to the aggregate expansion of goods and services. This is true of socialists, interventionists, and free enterprise advocates; if it is a question of "more" as opposed to "less," the demonstrated preference of the vast bulk of humanity is in favor of the former.

To keep the idea of growth from becoming the modern equivalent of the holy grail, the supporter of the free market is forced to add certain key qualifications to the general demand for expansion. First, that all costs of the growth process be paid for by those who by virtue of their ownership of the means of production gain access to the fruits of production. This implies that society has the right to protect itself from unwanted "spill over" effects like pollution, i.e., that the so-called social costs be converted into private costs whenever possible.[1] Second, that economic growth be induced by the voluntary activities of men cooperating on a private

[1] Cf. R. H. Coase, "The Problem of Social Cost," *The Journal of Law and Economics*, III (Oct., 1960). pp. 1-44; C. R. Batten, "The Tragedy of the Commons," THE FREEMAN (Oct., 1970).

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market. The state-sponsored projects of "growthmanship," especially growth induced through inflationary deficit budgets, are to be avoided.[2] Third, that growth not be viewed as a potentially unlimited process over time, as if resources were in unlimited supply.[3] In short, aggregate economic growth should be the product of the activities of individual men and firms acting in concert according to the impersonal dictates of a competitive market economy. It should be the goal of national governments only in the limited sense of policies that favor individual initiative and the smooth operation of the market, such as legal guarantees supporting voluntary contracts, the prohibition of violence, and so forth.

Monetary Policy

The "and so forth" is a constant source of intellectual as well as political conflict. One of the more heated areas of contention among free market economists is the issue of monetary policy. The majority of those calling themselves free market economists believe that monetary policy should not be the autonomous creation of voluntary market agreements. Instead, they favor various governmental or quasi-governmental policies that would oversee the creation of money and credit on a national, centralized scale. Monetary policy in this perspective is an "exogenous factor" in the marketplace – something that the market must respond to rather than an internally produced, "endogenous factor" that stems from the market itself. The money supply is therefore only indirectly related to market processes; it is controlled by the central governments acting through the central bank, or else it is the automatic creation of a central bank on a fixed percentage increase per day and therefore not subject to "fine-tuning" operations of the political authorities.

A smaller number of free market advocates (myself among them) are convinced that such monopoly powers of money creation are going to be used. Power is never neutral; it is exercised according to the value standards of those who possess it.[4] Money

[2] Colin Clark, "'Growthsmanship': Fact and Fallacy," *The Intercollegiate Review* (Jan., 1965), and published in booklet form by the National Association of Manufacturers. On the dangers of government-sponsored growth, see also Murray N. Rothbard, *Man, Economy and State* (Princeton: Van Nostrand, 1962), II, pp. 837 ff.

[3] Gary North, "The Theology of the Exponential Curve," THE FREEMAN (May, 1970).

[4] F. A. Hayek, *The Road to Serfdom* (University of Chicago, 1944), is by far the best treatment of the unneutral nature of state planning boards.

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is power, for it enables the bearer to purchase the tools of power, whether guns or votes. Governments have an almost insatiable lust for power, or at least for the right to exercise power. If they are granted the right to finance political expenditures through deficits in the visible tax schedules, they are empowered to redistribute wealth in the direction of the state through the invisible tax of inflation.[5]

Money, given this fear of the political monopoly of the state, should ideally be the creation of market forces. Whatever scarce economic goods that men voluntarily use as a means of facilitating market exchanges – goods that are durable, divisible, transportable, and above all scarce – are sufficient to allow men to cooperate in economic production. Money came into existence this way; the state only sanctioned an already prevalent practice.[6] Generally, the two goods that have functioned best as money have been gold and silver: they both possess great *historic* value, though not intrinsic value (since no commodity possesses intrinsic value).[7]

Banking, of course, also provides for the creation of new money. But as Professor Mises argues, truly competitive banking – free banking – keeps the creation of new credit at a minimum, since bankers do not really trust each other, and they will demand payment in gold or silver from banks that are suspected of insolvency.[8] Thus, the creation of new money on a free market would stem primarily from the discoveries of new ore deposits or new metallurgical techniques that would make available greater supplies of scarce money metals than would have been economically feasible before. It is quite possible to imagine a free market system operating in terms of nonpolitical money. The principle of voluntarism should not be excluded, *a priori*, from the realm of monetary policy.

Sovereignty, Efficiency, Catastrophe

There are several crucial issues involved in the theoretical dispute between those favoring centralized monetary control and free market voluntarists. First, the

[5] Murray N. Rothbard, "Money, the State, and Modern Mercantilism," in Helmut Schoeck and James Wiggens (eds.), *Central Planning and Neomercantilism* (Princeton: Van Nostrand, 1964), pp. 140-43.

[6] Ludwig von Mises, *The Theory of Money and Credit* (New Haven, Conn.: Yale University Press, 1953; reprinted 1971 by the Foundation for Economic Education), pp. 97-123.

[7] Gary North, "The Fallacy of 'Intrinsic Value'," THE FREEMAN (June, 1969).

[8] Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), pp. 440-45.

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question of constitutional sovereignty: which sphere, civil government or the market, is responsible for the administration of money? Second, the question of economic efficiency: would the plurality of market institutions interfere with the creation of a rational monetary framework? Third, and most important for this paper, is not a fundamental requirement for the growth of economic production the creation of a money supply sufficient to keep pace, proportionately, with aggregate productivity?

The constitutional question, historically, is easier to answer than the other two. The Constitution says very little about the governing of monetary affairs. The Congress is granted the authority to borrow money on the credit of the United States, a factor which has subsequently become an engine of inflation, given the legalized position of the central bank in its activity of money creation. The Congress also has the power "To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures" (Article II, Section 8). Furthermore, the states are prohibited to coin money, emit bills of credit, or "make any Thing but gold and silver Coin a Tender in Payment of Debts" (Article II, Section 9).

The Constitutional Question

The interpretation of these passages has become increasingly statist since the 1860's. Gerald T. Dunne describes his book, *Monetary Decisions of the Supreme Court,* in these terms: "This work traces a series of decisions of the Supreme Court which have raised the monetary power of the United States government from relative insignificance to almost unlimited authority." He goes on to write: ". . . the Founding Fathers regarded political control of monetary institutions with an abhorrence born of bitter experience, and they seriously considered writing a sharp limitation on such governmental activity into the Constitution itself. Yet they did not, and by "speaking in silences" gave the government they founded the near-absolute authority over currency and coinage that has always been considered the necessary consequence of national sovereignty."[9]

The great push toward centralization came, understandably, with the Civil War, the first truly modern total war, with its need of new taxes and new power. From that point on, there has been a continual war of the Federal government against the limitations

[9] Gerald T. Dunne, *Monetary Decisions of the Supreme Court* (New Brunswick, N. J.: Rutgers University Press, 1960), preface.

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imposed by a full gold coin standard of money.[10] It is all too clearly an issue of sovereignty: the sovereignty of the political sphere against that of individuals operating in terms of voluntary economic transactions.

The Matter of Efficiency

The second question is more difficult to answer. Would the plurality of monetary sovereignties within the over-all sovereignty of a competitive market necessarily be less efficient than a money system created by central political sovereignty? As a corollary, are the time, capital, and energy expended in gold and silver mining worse spent than if they had gone into the production of consumer goods?

In the short run and in certain localized areas, plural monetary sovereignties might not be competitive. A local bank could conceivably flood a local region with unbacked fiat currency. But these so-called wildcat banking operations, unless legally sanctioned by state fractional reserve licenses (deceptively called limitations), do not last very long. People discount the value of these fiat bills, or else make a run on the bank's vaults. The bank is not shielded by political sovereignty against the demands of its creditors. In the long run it must stay competitive, earning its income from services rather than the creation of fiat money. With the development of modern communications that are almost instantaneous in nature, frauds of this kind become more difficult.

The free market is astoundingly efficient in communicating knowledge. The activity of the stock market, for example, in response to new information about a government policy or a new discovery, indicates the speed of the transfer of knowledge, as prices are rapidly raised or lowered in terms of the discounted value that is expected to accrue because of the new conditions.[11] The very flexibility of prices allows new information to be assimilated in an economically efficient manner. Why, then, are changes affecting the value of the various monetary units assumed to be less efficiently transmitted by the free market's mechanism than by the political sovereign? Why is the enforced

[10] Paul Bakewell, a lawyer who has specialized in the history of monetary law in the United States, has chronicled this warfare in *What Are We Using for Money?* (Princeton: Van Nostrand, 1952) and *13 Curious Errors About Money* (Caldwell, Idaho: Caxton, 1962).

[11] The best book on the free market and knowledge transmission is Henry G. Manne, *Insider Trading and the Stock Market* (New York: Free Press, 1966). Cf. Manne, "Insider Trading and the Law Professors," *Vanderbilt Law Review*, XXIII (1970), pp. 547-630.

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stability of fixed monetary ratios so very efficient and the enforced stability of fixed prices on any other market so embarrassingly inefficient? Why is the market incapable of arbitrating the value of gold and silver *coins* (domestic vs. domestic, domestic vs. foreign), when it is thought to be so efficient at arbitrating the value of gold and silver *jewelry*? Why is the market incapable of registering efficiently the value of gold in comparison to a currency supposedly fixed in relation to gold?

The Market Way

The answer should be obvious: it is *because* the market is so efficient at registering subtle shifts in values between scarce economic goods that the political sovereigns ban the establishment of plural monetary sovereignties. It is because any disparity economically between the value of fiat currency supposedly linked to gold and the market value of gold exposes the ludicrous nature of the hypothetical legal connection, which in fact is a *legal fiction*, that the political sovereignty assumes for itself a monopoly of money creation. It is not the inefficiency of the market in registering the value of money but rather its incomparable efficiency that has led to its position of imposed isolation in monetary affairs. Legal fictions are far more difficult to impose on men if the absurdity of that fiction is exposed, hour by hour, by an autonomous free market mechanism.

Would there not be a chaos of competing coins, weights, and fineness of monies? Perhaps, for brief periods of time and in local, semi-isolated regions. But the market has been able to produce light bulbs that fit into sockets throughout America, and plugs that fit into wall sockets, and railroad tracks that match many companies' engines and cars. To state, *a priori*, that the market is incapable of regulating coins equally well is, at best, a dangerous statement that is protected from critical examination only by the empirical fact of our contemporary political affairs.

Changes in the stock of gold and silver are generally slow. Changes in the "velocity of money" – the number of exchanges within a given time period – are also slow, unless the public expects some drastic change, like a devaluation of the monetary unit by the political authority. These changes can be predicted within calculable limits; in short, the economic impact of such changes can be discounted. They are relatively fixed in magnitude in comparison to the flexibility provided by a government printing press or a

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central bank's brand new IBM computer. The limits imposed by the costs of mining provide a *continuity* to economic affairs compared to which the "rational planning" of central political authorities is laughable.

What the *costs of mining* produce for society is a *restrained state*. We expend time and capital and energy in order to dig metals out of the ground. Some of these metals can be used for ornament, or electronic circuits, or for exchange purposes; the market tells men what each use is worth to his fellows, and the seller can respond accordingly. The existence of a free coinage restrains the capabilities of political authorities to redistribute wealth, through fiat money creation, in the direction of the state. That such a restraint might be available for the few millions spent in mining gold and silver out of the ground represents the greatest potential economic and political bargain in the history of man. To paraphrase another patriot: "Millions for mining, but not one cent in tribute."

Possibilities of Prediction

By reducing the parameters of the money supply by limiting money to those scarce economic goods accepted voluntarily in exchange, *prediction* becomes a real possibility. Prices are the free market's greatest achievement in reducing the irrationality of human affairs. They enable us to predict the future. Profits reward the successful predictors, losses greet the inefficient forecasters, thus reducing the extent of their influence. The subtle day-to-day shifts in the value of the various monies would, like the equally subtle day-to-day shifts in value of all other goods and services, be reflected in the various prices of monies, vis-a-vis each other. Professional speculators (predictors) could act as arbitrators between monies. The price of buying pounds sterling or silver dollars with my gold dollar would be available on request, probably published daily in the newspaper. Since any price today reflects the supply and demand of the two goods to be exchanged, and since this in turn reflects the *expectations* of all participants of the value of the items in the future, *discounted to the present*, free pricing brings thousands and even millions of forecasters into the market. *Every price reflects the composite of all predictors' expectations*. What better means could men devise to unlock the secrets of the future? Yet monetary centralists would have us believe that in monetary affairs, the *state's experts* are the best source of economic continuity, and that they

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are more efficient in setting the value of currencies as they relate to each other than the market could be.

What we find in the price-fixing of currencies is exactly what we find in the price-fixing of all other commodities: periods of inflexible, politically imposed "stability" interspersed with great economic discontinuities. The old price shifts to some wholly new, wholly unpredictable, politically imposed price, for which few men have been able to take precautions. It is a rigid stability broken by radical shifts to some new rigidity. It has nothing to do with the fluid continuity of flexible market pricing. *Discontinuous "stability"* is the plaque of politically imposed prices, as devaluations come in response to some disastrous political necessity, often internationally centered, involving the prestige of many national governments. It brings the rule of law into disrepute, both domestically and internationally. Sooner or later domestic inflation comes into conflict with the requirements of international solvency.[12]

For those who prefer tidal waves to the splashing of the surf, for those who prefer earthquakes to slowly shifting earth movements, the rationale of the political monopoly of money may appear sane. It is strange that anyone else believes in it. Instead of the localized discontinuities associated with private counterfeiting, the state's planners substitute complete, centralized discontinuities. The predictable market losses of fraud (which can be insured against for a fee) are regarded as intolerable, yet periodic national monetary catastrophes like inflation, depression, and devaluation are accepted as the "inevitable" costs of creative capitalism. It is a peculiar ideology.

Flexible or Inflexible Prices

The third problem seems to baffle many well-meaning free market supporters. How can a privately established monetary system linked to gold and silver expand rapidly enough to facilitate business in a modern economy? How can new gold and silver enter the market rapidly enough to "keep pace," proportionately, with an expanding number of free market transactions? The answer seems too obvious: the expansion of a specie-founded currency system cannot possibly grow as fast as business has grown in the last century. Since the answer is so obvious, something must be wrong with the question. There *is* something wrong; it has to do with the

[12] Gary North, "Domestic Inflation versus International Solvency," THE FREEMAN (Feb., 1967).

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invariable underlying assumption of the question: *today's prices are downwardly inflexible.*

It is a fact that many prices are inflexible in a downward direction, or at least very, very "sticky." For example, wages in industries covered by minimum wage legislation are as downwardly inflexible as the legislatures that have set them. Furthermore, wages in industries covered by the labor union provisions of the Wagner Act of 1935 are downwardly inflexible, for such unions are legally permitted to exclude competing laborers who would work for lower wages. Products that come under laws establishing "fair trade" prices, or products undergirded by price floors established by law, are not responsive to economic conditions requiring a downward revision of prices. *The common feature of the majority of downwardly inflexible prices is the intervention of the political sovereignty.*

The logic of economic expansion should be clear enough: if it takes place within a relatively fixed monetary structure, either the velocity of money will increase (and there are limits here) or else prices in the aggregate will have to fall. If prices are not permitted to fall, then many factors of production will be found to be uneconomic and therefore unemployable. The evidence in favor of this law of economics is found every time a depression comes around (and they come around just as regularly as the government-sponsored monetary expansions that invariably precede them[13]). Few people interpret the evidence intelligently.

Labor union leaders do not like unemployed members. They do not care very much about unemployed nonmembers, since these men are unemployed in order to permit the higher wages of those within the union. Business owners and managers do not like to see unemployed capital, but they want high rates of return on their capital investments even if it should mean bankruptcy for competitors. So when falling prices appear necessary for a marginal firm to stay competitive, but when it is not efficient enough to compete in terms of the new lower prices for its products, the appeal goes out to the state for "protection." Protection is needed from nasty customers who are going to spend their hard-earned cash or credit elsewhere. Each group resists lower returns on its investment – labor or financial – even in the face of the biggest risk of all: total unemployment. And if the state intervenes to protect these vested

[13] Mises, *Human Action*, ch. 20. For a survey of the literature generated by Mises' theory, see Gary North, "Repressed Depression," THE FREEMAN (April, 1969).

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interests, it is forced to take steps to insure the continued operation of the firms.

It does so through the means of an expansion of the money supply. It steps in to set up price and wage floors; for example, the work of the NRA in the early years of the Roosevelt administration. Then the inflation of the money supply raises aggregate prices (or at least keeps them from falling), lowers the real income from the fixed money returns, and therefore "saves" business and labor. This was the "genius" of the Keynesian recovery, only it took the psychological inducement of total war to allow the governments to inflate the currencies sufficiently to reduce real wages sufficiently to keep all employed, while simultaneously creating an atmosphere favoring the imposition of price and wage controls in order to "repress" the visible signs of the inflation, i.e., even higher money prices. So prices no longer allocated efficiently; ration stamps, priority slips, and other "hunting licenses" took the place of an integrated market pricing system. So did the black market.

Repressed Depression

Postwar inflationary pressures have prevented us from falling into reality. Citizens will not face the possibility that the depression of the 1930's is being repressed through the expansion of the money supply, an expansion which is now threatening to become exponential.[14] No, we seem to prefer the blight of inflation to the necessity of an orderly, generally predictable downward drift of aggregate prices.

Most people resist change. That, in spite of the hopes and footnoted articles by liberal sociologists who enjoy the security of tenure. Those people who do welcome change have in mind familiar change, potentially controllable change, change that does not rush in with destruction. Stability, law, order: these are the catchwords even in our own culture, a culture that has thrived on change so extensive that nothing in the history of man can compare with it. It should not be surprising that the siren's slogan of "a stable price level" should have lured so many into the rocks of economic inflexibility and monetary inflation.

Yet a stable price level requires, logically, stable conditions: static tastes, static technology, static resources, static population. In short, stable prices demand the end of history. The same people who demand stable prices, whether socialist, interventionist, or monetarist, simultaneously call for increased economic production. What

[14] North, "Theology," *op. cit.*

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they want is the fulfillment of that vision restricted to the drunken of the Old Testament: "... tomorrow shall be as this day, and much more abundant" (Isaiah 56:12). The fantasy is still fantasy; tomorrow will not be as today, and neither will tomorrow's price structure.

Fantasy in economic affairs can lead to present euphoria and ultimate miscalculation. Prices change. Tastes change. Productivity changes. To interfere with those changes is to reduce the efficiency of the market; only if your goal is to reduce market efficiency would the imposition of controls be rational. To argue that upward prices, downward prices, or stable prices should be the proper arrangement for any industry over time is to argue nonsense. An official price can be imposed for a time, of course, but the result is the misallocation of scarce resources, a misallocation that is mitigated only by the creation of a black market.

Stable Prices

There is one sense in which the concept of stable prices has validity. Prices on a free market ought to change in a stable, generally predictable, continuous manner. Price (or quality) changes should be *continual* (since economic conditions change) and hopefully *continuous* (as distinguished from discontinuous, radical) in nature. Only if some exogenous catastrophe strikes the society should the market display radical shifts in pricing. Monetary policy, ideally, should contribute no discontinuities of its own – no disastrous, aggregate unpredictabilities. This is the only social stability worth preserving in life: the stability of reasonably predictable change.

The free market, by decentralizing the decision-making process, by rewarding the successful predictors and eliminating (or at least restricting the economic power of) the inefficient forecasters, and by providing a whole complex of markets, including specialized markets of valuable information of many kinds, *is perhaps the greatest engine of economic continuity ever developed by men.* That continuity is its genius. It is a continuity based, ultimately, on its flexibility in pricing its scarce economic resources. To destroy that flexibility is to invite disaster.

The myth of the stable price level has captured the minds of the inflationists, who seek to impose price and wage controls in order to reduce the visibility of the effects of monetary expansion. On the other hand, stable prices have appeared as economic nirvana to conservatives who have thought it important to oppose *price* in-

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flation. They have mistaken a tactical slogan – stable prices – for the strategic goal. They have lost sight of the true requirement of a free market, namely, flexible prices. They have joined forces with Keynesians and neo-Keynesians; they all want to enforce stability on the "bad" increasing prices (labor costs if you're a conservative, consumer prices if you're a liberal), and they want few restraints on the "good" upward prices (welfare benefits if you're a liberal, the Dow Jones average if you're a conservative). Everyone is willing to call in the assistance of the state's authorities in order to guarantee these effects. The authorities respond.

What we see is the "ratchet effect." A wage or price once attained for any length of time sufficient to convince the beneficiaries that such a return is "normal" cannot, by agreed definition, be lowered again. The price cannot slip back. It must be defended. It must be supported. It becomes an ethical imperative. Then it becomes the object of a political campaign. At that point the market is threatened.

Conclusion

The defense of the free market must be in terms of its capacity to expand the range of choices open to free men. It is an ethical defense. Economic growth that does not expand the range of men's choices is a false hope. The goal is not simply the expansion of the aggregate number of goods and services. It is no doubt true that the free market is the best means of expanding output and increasing efficiency, but it is *change* that is constant in human life, not expansion or linear development. There are limits on secular expansion.[15]

Still, it is reasonable to expect that the growth in the number of goods and services in a free market will exceed the number of new gold and silver discoveries. If so, then it is equally reasonable to expect to see prices in the aggregate in a slow decline. In fact, by calling for increased production, we are calling for lower prices, if the market is to clear itself of all goods and services offered for sale. *Falling prices are no less desirable in the aggregate than increasing aggregate productivity.* They are economic complements.

Businessmen are frequently heard to say that their employees are incapable of understanding that money wages are not the important thing, but real income is. Yet these same employers seem

[15] P. T. Bauer, *Economic Analysis and Policy in Underdeveloped Countries* (Cambridge and Duke University Presses, 1957), p. 113.

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incapable of comprehending that profits are not dependent upon an increasing aggregate price level. It does not matter for aggregate profits whether the price level is falling, rising, or stable. What does matter is the entrepreneur's ability to forecast future economic conditions, including the direction of prices relevant to his business. Every price today includes a component based on the forecast of buyer and seller concerning the state of conditions in the future. If a man on a fixed income wants to buy a product, and he expects the price to rise tomorrow, he logically should buy today; if he expects the price to fall, he should wait. Thus, the key to economic success is the accuracy of one's discounting, for every price reflects in part the future price, discounted to the present. The aggregate level of prices is irrelevant; what is relevant is one's ability to forecast *particular* prices.

It is quite likely that a falling price level (due to increased production of non-monetary goods and services) would require more monetary units of a smaller denomination. But this is not the same as an increase of the aggregate money supply. It is not monetary inflation. Four quarters can be added to the money supply without inflation so long as a paper one dollar bill is destroyed. The effects are not the same as a simple addition of the four quarters to the money supply. The first example conveys no increase of purchasing power to anyone; the second does. In the first example, no one on a fixed income has to face an increased price level or an empty space on a store's shelf due to someone else's purchase. The second example forces a redistribution of wealth, from the man who did not have access to the four new quarters into the possession of the man who did. The first example does not set up a boom-bust cycle; the second does.[16]

Prices Would Not Fall to Zero

Prices in the aggregate can fall to zero only if scarcity is entirely eliminated from the world, i.e., if all demand can be met for all goods and services at zero price. That is not our world. Thus, we can safely assume that prices will not fall to zero. We can also assume that there are limits on production. The same set of facts assures both results: scarcity guarantees a limit on falling prices and a limit on aggregate production. But there is nothing incompatible between economic growth and falling prices. Far

[16] North, "Repressed Depression," *op. cit.*

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from being incompatible, they are complementary. There should be no need to call for an expansion of the money supply "at a rate proportional to increasing productivity."

It is a good thing that such an expansion is not necessary, since it would be impossible to measure such proportional rates. It would require whole armies of government-paid statisticians to construct an infinite number of price indexes. If this were possible, then socialism would be as efficient as the free market.[17] Infinite knowledge is not given to men, not even to government statistical boards. Even Arthur Ross, the Department of Labor's commissioner of labor statistics, and a man who thinks the index number is a usable device, has to admit that it is an inexact science at best.[18] Government statistical indexes are used, in the last analysis, to expand the government's control of economic affairs. That is why the government needs so many statistics.[19]

State Control of Money a Major Cause of Instability

The quest for the neutral monetary system, the commodity dollar, price index money, and all other variations on this theme has been as fruitless a quest as socialists, Keynesians, social credit advocates, and government statisticians have ever embarked on. It presupposes a sovereign political state with a monopoly of money creation. It presupposes an omniscience on the part of the state and its functionaries that is utopian. It has awarded to the state, by default, the right to control the central mechanism of all modern market transactions, the money supply. It has led to the nightmare of inflation that has plagued the modern world, just as this same sovereignty plagued Rome in its declining years. But at least in the case of Rome it was a reasonable claim, given the theological presupposition of the ancient world (excluding the Hebrews and the Christians) that the state is divine, either in and of itself or as a function of the divinity of the ruler. Rulers were

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[17] F. A. Hayek (ed.), *Collectivist Economic Planning* (London: Routledge & Kegan Paul, 1935). This line of reasoning was first introduced to a wide audience by Mises. Cf. Mises, *Socialism* (New Haven, Conn.: Yale University Press, 1951), pt. II, sect. I. For a survey of this literature, see Gary North, *Marx's Religion of Revolution* (Nutley, N. J.: Craig Press, 1968), pp. 173-94.

[18] Arthur M. Ross, "Measuring Prices: An Inexact Science." *The Wall Street Journal* (Feb. 10. 1966). Cf. Melchior Palyi, *An Inflation Primer* (Chicago: Regnery, 1962), p. 4.

[19] Murray N. Rothbard, "Statistics: Achilles' Heel of Government," THE FREEMAN (June 1961).

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theoretically omniscient in those days. Even with omniscience, their monetary systems were subject to ruinous collapse. Odd that men would expect a better showing from an officially secular state that recognizes no divinity over it or under it. Then again, perhaps a state like this assumes the function of the older, theocratic state. It recognizes no sovereignty apart from itself. And like the ancient kingdoms, the sign of sovereignty is exhibited in the monopoly over money.[20]

[20] On the use of the coinage by the Roman emperors to announce their own divine apotheoses, see Ethelbert Stauffer, *Christ and the Caesars* (Philadelphia: Westminster Press, 1955).

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THE CRISIS IN CONSTRUCTION

THIRTY YEARS AGO Thurman Arnold, the great trust buster who was by no means a coddler of capitalists, used to prove his objectivity by excoriating the labor unions in the building trades for their own monopolistic practices. On the surface there hasn't been much change in the construction industry since Arnold's heyday, as M. R. Lefkoe makes plain in his *The Crisis in Construction: There Is An Answer* (Bureau of National Affairs, Inc., BNA Books, Washington, D. C., $12.50). However, Mr. Lefkoe happens to be more solution-minded than Thurman Arnold ever was, which may make a difference.

The first part of Mr. Lefkoe's study lists the "labor-related problems" in the industry and gives a long and lugubrious explanation of the major causes of the problems. The problems include a drastic shortage of skilled manpower, escalating wage rates, the excessive cost of overtime, loss of management control, unethical practices, and special government interference (though this particular problem may be mitigated by the recent suspension of the Davis-Bacon Act, which has required the Federal government to match on its own projects the highest pay in any given area).

The causes of the problems are mainly bound up with the fragmented nature of the industry. Contractors don't ordinarily "sell" their services; they wait for the orders to come, and then, if they are in the general contracting business, they assemble the needed skills by paying subcontractors to carry out the various phases of the on-site work. The general contractor has to take labor as he finds it; he finds him-

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self dealing with a whole host of craft unions that have their own jurisdictional disputes.

Simply because he is merely an assembler of subcontractors, the general contractor does not train his own labor. The crafts control their own apprentice systems. And, since they are better organized than their employers, the crafts maintain a more effective political lobby. Not only do they artificially restrict the available supply of labor, they also put their political clout behind maintaining all sorts of code restrictions on the type of building methods and materials that may be used. In addition to the code restrictions there are such things as the licensing of plumbers and electricians. Finally, there are our one-sided labor laws which tell the unions that they have the right to do things that are prohibited to management under the anti-trust laws.

Wide-Ranging Problems Boil Down to Coercive Power

Mr. Lefkoe's recital of the causes of the problems is wide-ranging, but most every problem is aggravated by the coercive power which the unions get from government. Indeed, coercive power seems to be the only problem. Even the seasonal shut-downs, which waste as much as two months of the year in the northern United States, derive from the fact that the unions turn their face against the use of prefabricated sections that would enable the builder to erect basic weather-proof shells during breaks in the winter cold. "Municipal building codes," so Mr. Lefkoe quotes from an official report, "sometimes needlessly restrict the use of materials or methods that would facilitate cold weather construction."

The root trouble in the industry comes from union control of the manpower supply, which is permitted by the government despite the fact that the Taft-Hartley Act supposedly outlawed the closed shop. By running their own restrictive apprentice system, the construction unions limit the number of newcomers in the various crafts. By keeping skilled labor scarce, the unions make sure of both high hourly wages and really cushy overtime. The excuse is that the overtime is needed to make up for the lack of employment in the winter. But the excuse doesn't help the client who must pay the bills on a man-hour basis that pertains only to his particular building job. By limiting the apprentices, the unions deny the Negroes, latecomers to our northern centers of population, the opportunity to become skilled workers. So we have a social problem

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piled on top of an economic problem.

New Role for Contractor

Taking the bull by the horns, Mr. Lefkoe urges an entirely new approach to the basic problem of construction manpower recruitment. He suggests that the general contractor had better assume total responsibility for the projects he undertakes. Under this scheme the contractor would hire and train all his specialists, both on- and off-site. By using the "systems" approach, the new-style contractor would run his own material development programs, his own apprentice schools, his own market research. Instead of waiting for jobs he would plan and erect buildings on his own for rental, or for selling. In short, he would act as a modern business enterpriser, not as someone who merely hangs out his shingle and waits for the client to come to him. Finally, the new-style contractor would form his own Construction Industry Action Organization and get busy with a campaign to rid the land of archaic building codes.

The beauty of Mr. Lefkoe's proposal is that it would by-pass the problem of changing the Taft-Hartley Act and the Landrum-Griffin Act. Nobody could stop a new-style contractor from doing his own hiring and training if he was prepared to do an across-the-board job of providing the client with all the necessary skills and crafts. The jurisdictional element would disappear. Industrial unionism might, of course, replace craft unionism under the new-style contractor. But the hiring hall would have disappeared. Even in cases where labor might bargain successfully for a union shop, the new-style contractor would be able to keep it an open union by hiring as many new people as he wanted and then turning them over to union membership after the apprentice period was completed.

Signs of Change

Is this all a dream? Mr. Lefkoe admits the difficulties, but notes that a few contractors are experimenting in his direction. And non-construction companies that need a lot of new plant expansion are also in the business of doing their own construction by hiring and training their own building crews.

Though Mr. Lefkoe is unrelenting in blaming the government for the woes of the construction industry, he misses one salient point. The shortage of skilled labor, and the high costs that result from this, are not entirely to be blamed on the unions' government-protected apprentice system. They can be blamed in part on the plethora of government building

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projects that have come in with the growth of the Welfare State. If we had had less public housing ("the slums of tomorrow") there would have been less competition with the private market for the available labor supply. Again, the suspension of the Davis-Bacon Act, a suspension that will lower the cost of government construction, may mitigate this somewhat. But the failure to deal with the question of government building elephantiasis is the one weak spot in Mr. Lefkoe's generally excellent study.

IDEAS ON LIBERTY

The Trend—and the Alternative

IF WE CONTINUE along the route marked by such legislation as Robinson-Patman and Landrum-Griffin, we shall, I believe, eventually break down in one way or another. We shall either strangle ourselves in bureaucratic red tape, corrupt our bureaucracy so that we can get something done, or so hamper the activity of our private associations that full socialism will seem the only reasonable way out.

The realistic alternative is to rid ourselves of special privilege and the companion welfare-state idea that government is an all-purpose device fit to solve all our problems. In order to do this it is necessary to refute all totalitarian ideas, whether of the Marxian or Keynesian varieties, and to take up again the development of free-market principles with a full understanding of the theory and practice of the free society.

SYLVESTER PETRO,
"Union Power and Government Aid,"
THE FREEMAN, July, 1960

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"Tax the rich to help the poor."

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